

CITY OF ROCKVILLE THRIFT PLAN

**Analysis of Investment Performance
Through September 30, 2007**



One Park Avenue
New York, NY 10016

**Robert A. Liberto
Senior Vice President**

November 2007

Copyright © 2007 by Segal Advisors, Inc.
All rights reserved.



One Park Avenue New York, NY 10016-5895
T 212.251.5324 F 212.251.5290 www.segaladvisors.com

Robert A. Liberto
Senior Vice President
rliberto@segaladvisors.com

November 29, 2007

Thrift Plan Committee
Rockville City Hall
111 Maryland Avenue
Rockville, MD 20850

Dear Committee Members:

This report provides an updated analysis of the performance of the City of Rockville's Thrift Plan for the various periods ended September 30, 2007.

The Principal MidCap Stock A Fund and the Principal LifeTime Separate Accounts were added to the Plan effective April 1, 2007.

The Principal Large Company Value Account was terminated effective 4/1/07. Assets were mapped into the Vanguard Windsor II Fund. In addition, the American Century Small Cap fund was also terminated effective 4/1/07. Assets were mapped into the Principal Small Cap Value fund.

Sincerely,

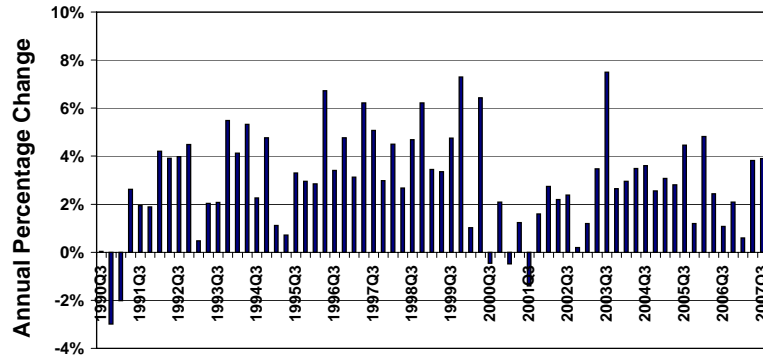
Robert A. Liberto

TABLE OF CONTENTS

SECTION 1:	FINANCIAL MARKET CONDITIONS.....
SECTION 2:	TOTAL PLAN.....
SECTION 3:	INVESTMENT OPTIONS
	➤ Principal Money Market Account
	➤ Principal Bond & Mortgage Account
	➤ Principal Stock Emphasis Balanced Account.....
	➤ Vanguard Windsor II Fund Inv.....
	➤ Principal Large Cap Stock Index Account
	➤ Principal Large Company Growth Account
	➤ Principal Mid Cap Stock Fund (Edge).....
	➤ Principal Small Company Value Account.....
	➤ Vanguard Explorer Fund
	➤ Principal Diversified International Account.....
	➤ Principal LifeTime Separate Accounts
SECTION 4:	APPENDIX.....

Macroeconomic Themes

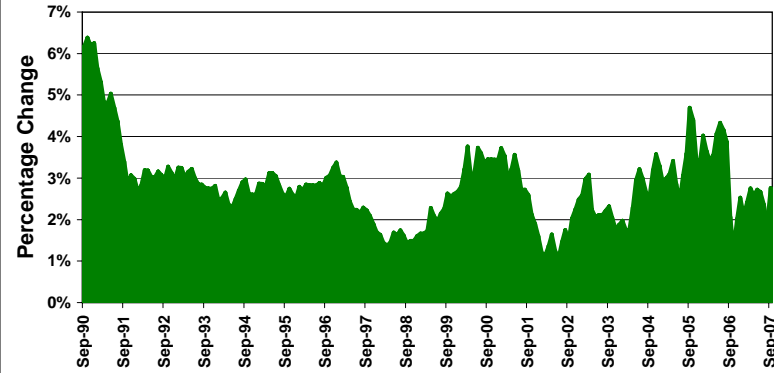
GDP



Source: Moody's Economy.com

- Q3 2007 GDP advanced at a 3.9% annualized rate, up from a revised 3.8% in Q2 2007. This is well above consensus expectations. The strong growth during Q3 was due to consumer spending and exports, with imports, homebuilding, and slower growth in non-residential construction offsetting much of this.
- Despite the strong Q3, housing remains a major weight on growth. Real investment in residential structures fell 20% on an annualized basis, compared to 12% during the Q2. Exports are a source of growth due to the expanding global economy and falling dollar.

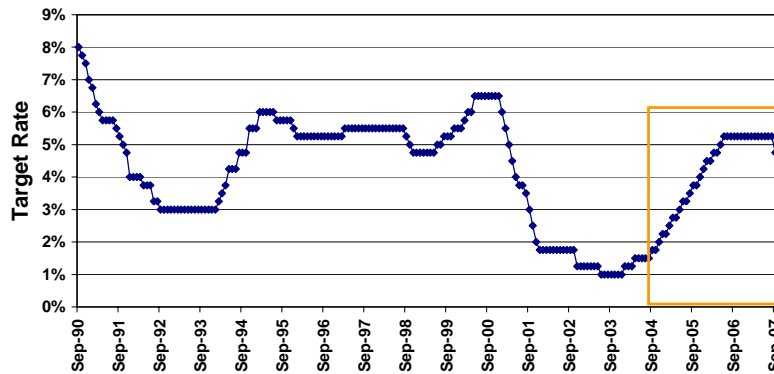
CPI: Percentage Change Year over Year



Source: Moody's Economy.com

- Energy prices continue to be volatile, leading to volatility in headline inflation amid a gradual moderation of the core rate of inflation. On a year ago basis, headline CPI is up by 2.8% in September.
- The core index, which excludes food and energy prices, increased by 0.2% in Q3. Over the past year, core CPI registered a 2.2% rate, which was unchanged from the previous month. While the headline reading came in 10 bps higher than the consensus had predicted, the core index was in line with expectations.

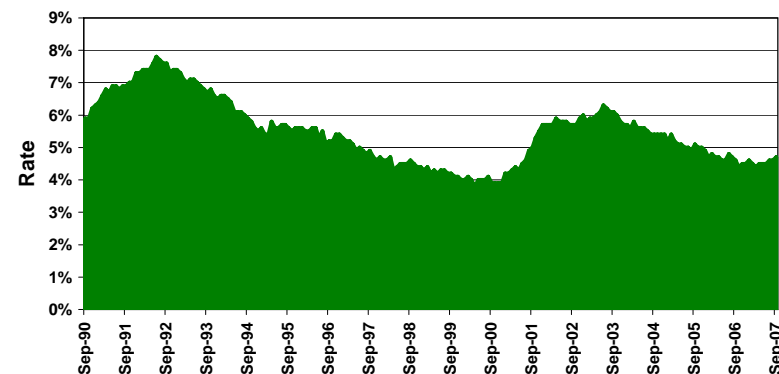
Fed Funds Target Rate



Source: Moody's Economy.com

- In response to tighter credit conditions that present growing risks to economic growth, the FOMC cut the Fed Funds Target Rate by 50 bps from 5.25% to 4.75% at the September 18 FOMC meeting. The rate cut was intended to help prevent some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time.

Unemployment Rate

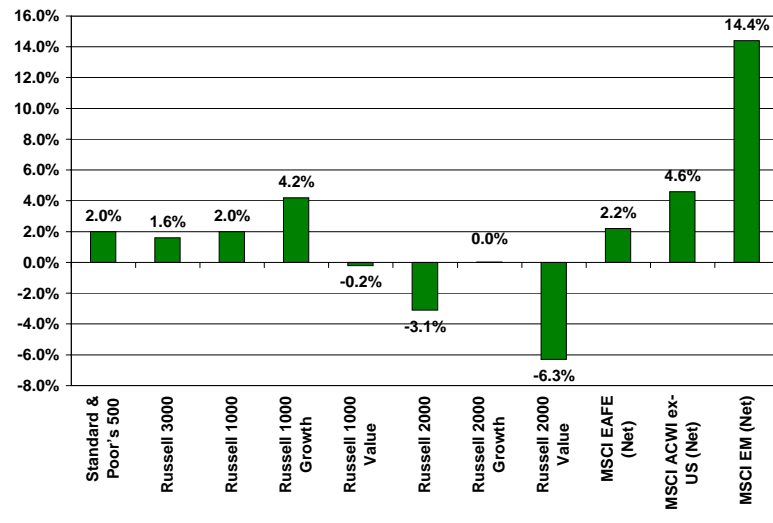


Source: Moody's Economy.com

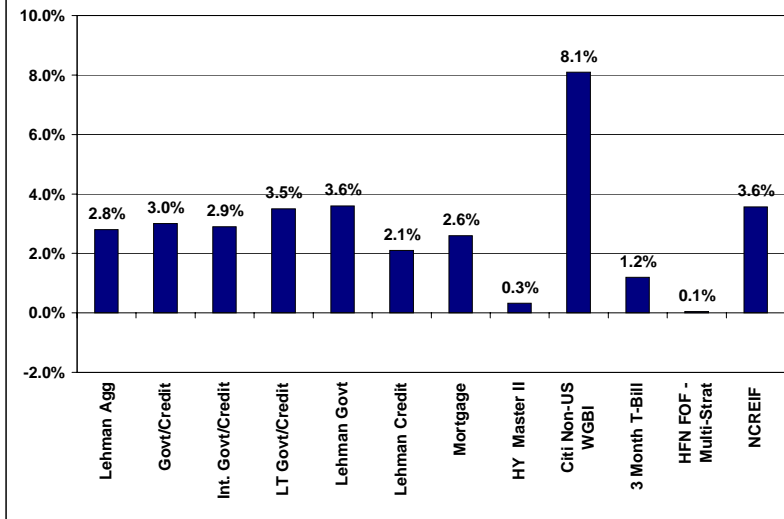
- The unemployment rate increased to 4.7%; however, employment growth (as measured by jobs created), rebounded in Sept and was revised upward for August.
- 110,000 jobs were added in Sept, following increases of 89,000 and 93,000 in Aug and July, respectively; however, the growth rate continued to weaken due to the housing market downturn. Concerns remain about near-term employment since interest rate resets are now at their peak and more foreclosures can be expected. Building activity will likely continue to weaken, and it is also likely more financial service providers will cut back payrolls.

Selected Equity and Fixed Income Index Rates of Return for Periods Ended September 30, 2007

Equity Index Returns: Quarter Ending 09/30/07



Fixed Income and Other Index Returns: Quarter Ending 09/30/07



Equity Indices

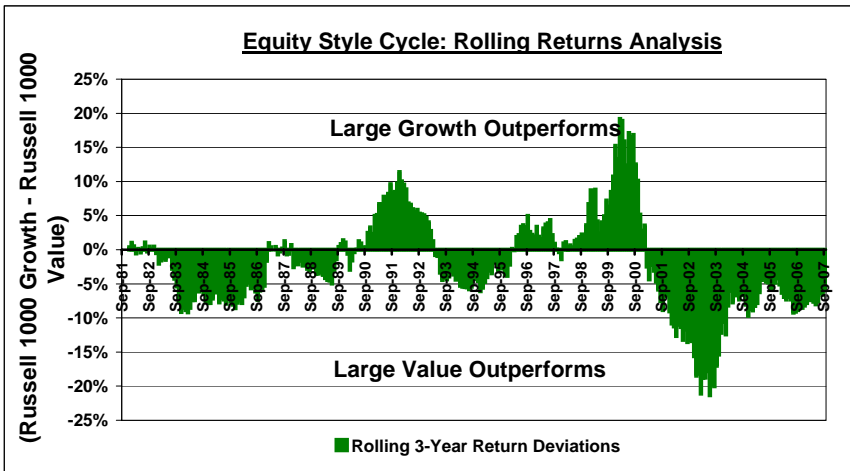
	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	2.0%	9.1	16.4	13.1	15.5	6.6
Russell 3000	1.6%	8.8	16.5	13.7	16.2	6.8
Russell 1000	2.0%	9.3	16.9	13.8	16.0	6.9
Russell 1000 Growth	4.2%	12.7	19.4	12.2	13.8	4.1
Russell 1000 Value	-0.2%	6.0	14.5	15.3	18.1	8.8
Russell 2000	-3.1%	3.2	12.3	13.4	18.8	7.2
Russell 2000 Growth	0.0%	9.4	18.9	14.1	18.7	3.7
Russell 2000 Value	-6.3%	-2.7	6.1	12.5	18.7	10.1
MSCI EAFE (Net)	2.2%	13.2	24.9	23.2	23.6	8.0
MSCI ACWI ex-US (Net)	4.6%	17.4	30.5	26.0	25.8	9.2*
MSCI EM (Net)	14.4%	34.5	58.2	40.8	38.7	11.9*

*For 10-year performance, Gross returns are provided.

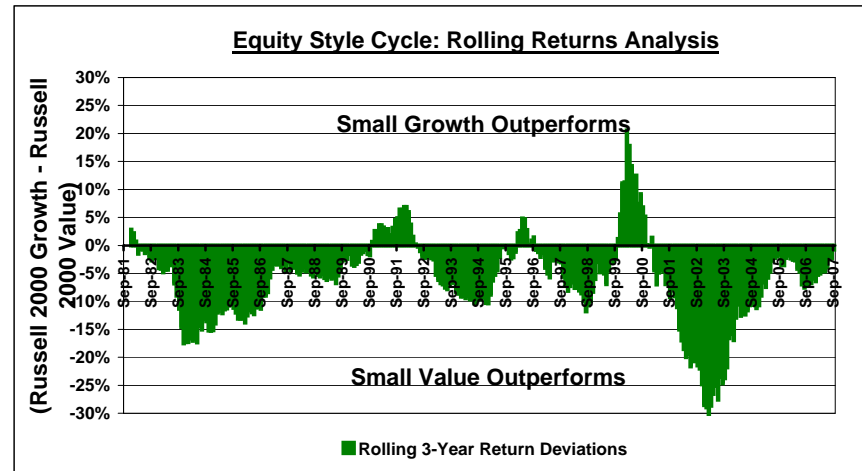
Fixed Income Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Lehman Aggregate	2.8%	3.8	5.1	3.9	4.1	6.0
Lehman Govt/Credit	3.0%	4.0	5.1	3.7	4.2	6.0
Lehman Int. Govt/Credit	2.9%	4.4	5.4	3.5	3.8	5.7
Lehman Long Govt/Credit	3.5%	2.6	3.7	4.3	5.4	7.2
Lehman Govt	3.6%	4.8	5.6	3.8	3.5	5.9
Lehman Credit	2.1%	2.9	4.2	3.5	5.0	6.1
Lehman Mortgage	2.6%	3.7	5.4	4.3	4.1	5.8
ML High Yield Master II	0.3%	3.4	7.7	7.5	12.5	5.9
Citigroup Non-US WGBI (Un)	8.1%	7.3	9.5	4.8	8.0	5.8
Citigroup 3 Month T-Bill	1.2%	3.7	5.0	4.0	2.8	3.7
<u>Other Indices</u>						
HFN HFOF Multi-Strat	0.1%	7.6	13.1	9.7	8.9	9.3
NCREIF Property Index	3.6%	12.2	17.3	18.0	14.8	13.1

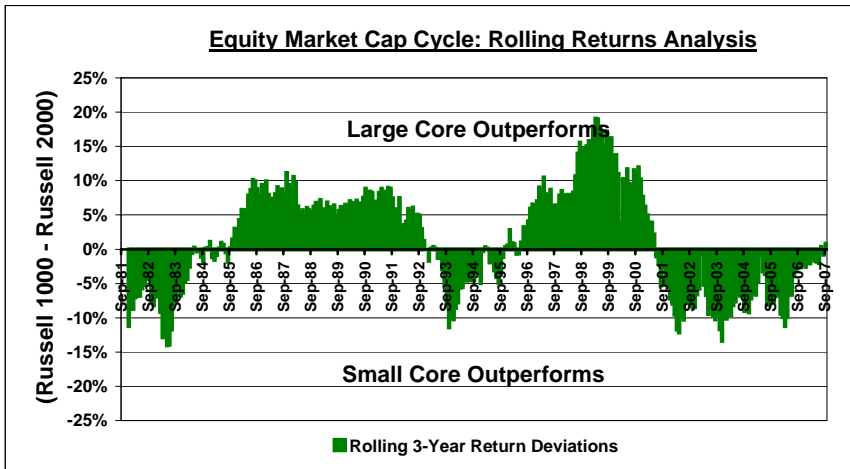
Equity Themes



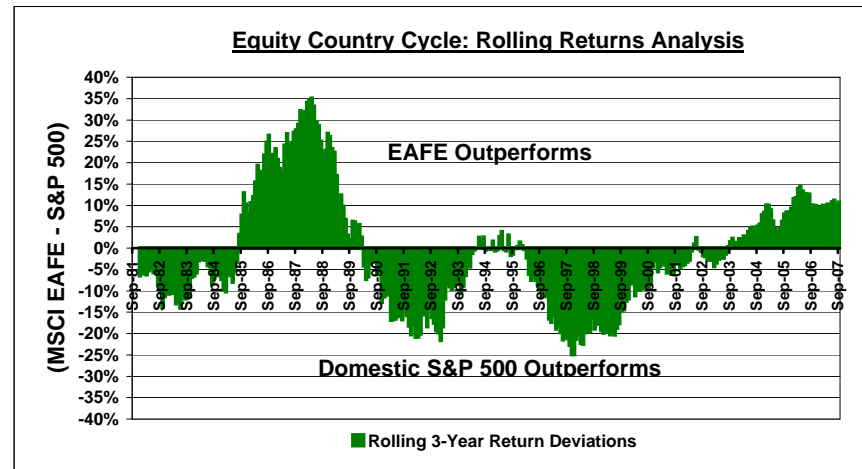
- Index Inception (i.e., January 1979): R1000V: **14.4%**; R1000G: **12.0%** (+243 bps)
- After 7 consecutive years of outperformance by the R1000V relative to the R1000G, the R1000G is currently ahead of the R1000V for the trailing quarter (+445 bps) and year-to-date (+671 bps) time periods.



- Index Inception (i.e., January 1979): R2000V: **15.4%**; R2000G: **10.4%** (+498 bps)
- The R2000V has outperformed the R2000G in 7 of last 10 calendar years, including 6 of the last 7; however, the R2000G has outperformed the R2000V during the year-to-date (+1205 bps) and trailing 1-year (+1285 bps) time periods.



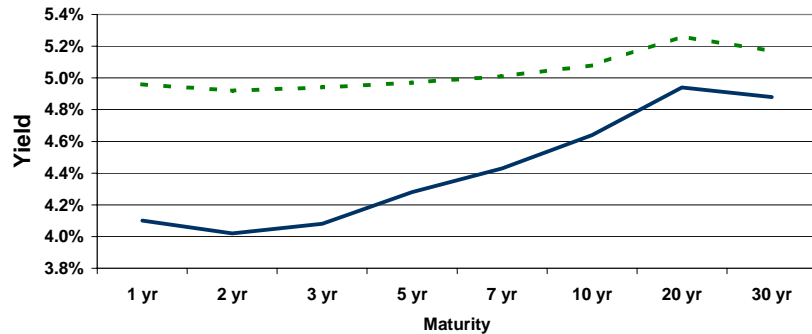
- Index Inception (i.e., January 1979): R1000: **13.4%**; R2000: **13.1%** (+35 bps)
- The R2000 has outperformed the R1000 in 7 of last 8 calendar years; however, the R1000 outperformed the R2000 for the year-to-date (+614 bps) and trailing 1-year (+456 bps) periods.



- Index Inception (i.e., January 1979): S&P 500: **13.4%**; EAFE: **11.5%** (+190 bps)
- The EAFE has outperformed the S&P 500 in 6 of last 10 calendar years, including the last 5 in a row and is ahead for the year-to-date (+402 bps) and trailing 1-year (+842 bps) time periods.

Fixed Income Themes

Treasury Yield Curve

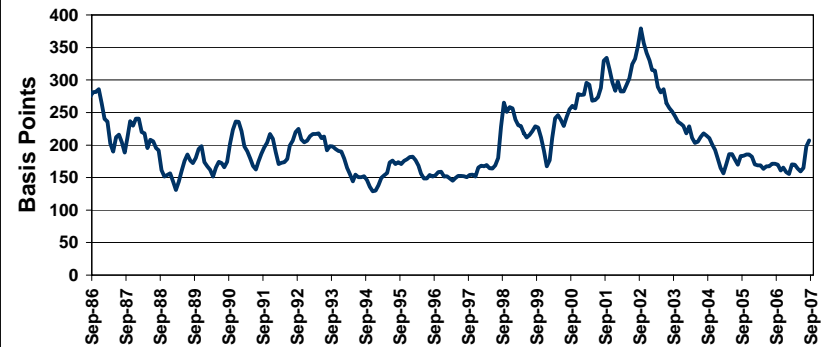


Source: U.S. Treasury

--- 6/29/07 — 9/28/07

- The yield curve steepened during Q3 and ended the quarter on a positive note as the Government held 2 and 5 yr Treasury auctions, which received strong demand. The 5 yr auction saw a healthy bid-to-cover ratio of 2.86, well above the last eight auctions' average of 2.41. The strong indirect bid of 45.2% vs. the last eight months' average of 23.7%, suggests that foreign investors still have an appetite for Treasuries despite the weakening dollar.

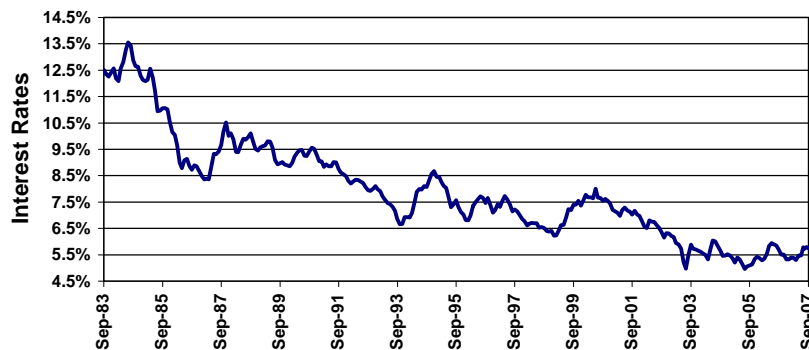
**Moody's Corporate-Treasury Bond Spread
Baa 10-Yr Constant Maturities**



Source: Moody's Economy.com

- Credit spreads widened in Q3 as new Treasury securities were met with increased demand and new issuance of junk bonds drastically declined.
- According to Thomson Financial, U.S. companies issued just over \$9B in junk bonds in the quarter, the worst on record, down from \$56.5B in Q2.
- For the quarter, credit spreads widened by 48 bps.

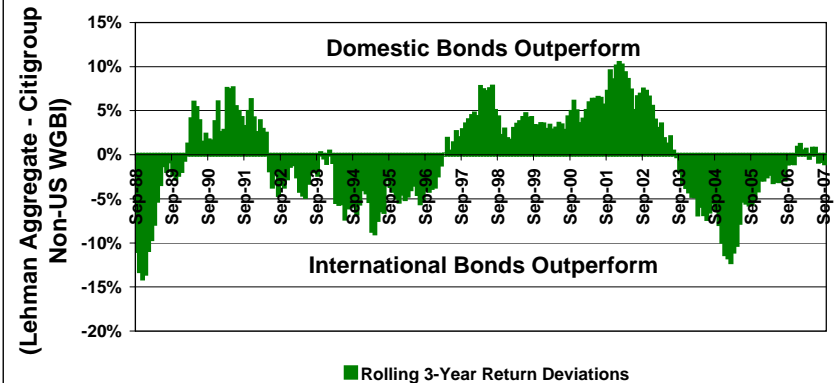
**Interest Rate Trends
Moody's AAA Seasoned**



Source: Moody's Economy.com

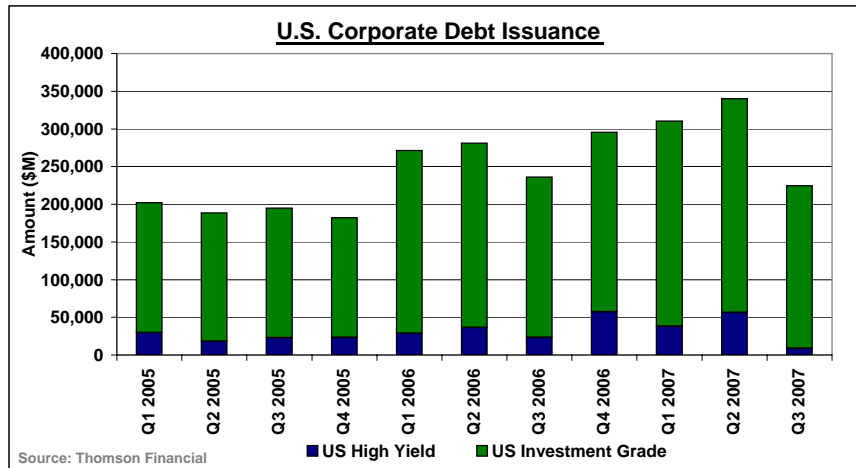
- During the first two months of Q3, there was a flight to quality as investors shied away from junk bonds, high-yield, and low-rated debt. However, during September, risk was re-priced and after the FOMC rate cut, investors renewed their focus on lower-rated securities.
- Corporate bond yields ended the quarter 5 bps lower, at 5.74%.

Fixed Income Cycle: Rolling Returns Analysis

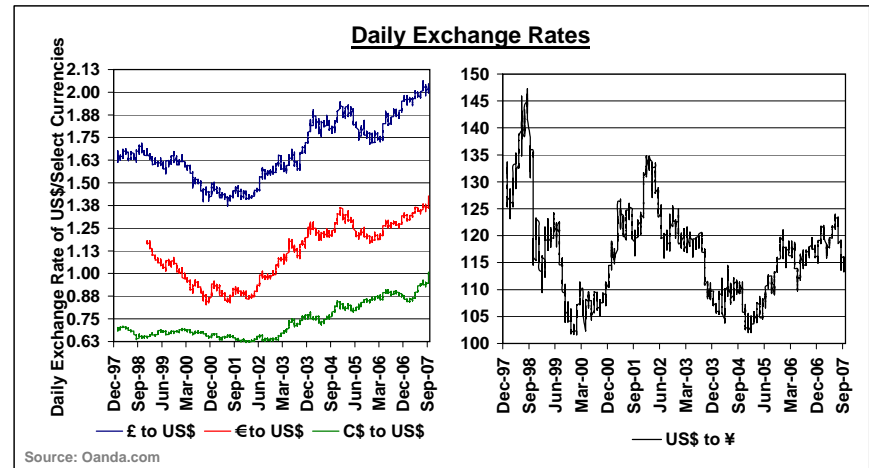


- International bonds had a strong Q3, pushing international bonds ahead of U.S. bonds for the 1-year (9.5% vs. 5.1%) and trailing 3-year (4.8% vs. 3.9%) periods. Domestic bonds remained ahead of international bonds (6.0% vs. 5.7%) for the 10-year annualized period.

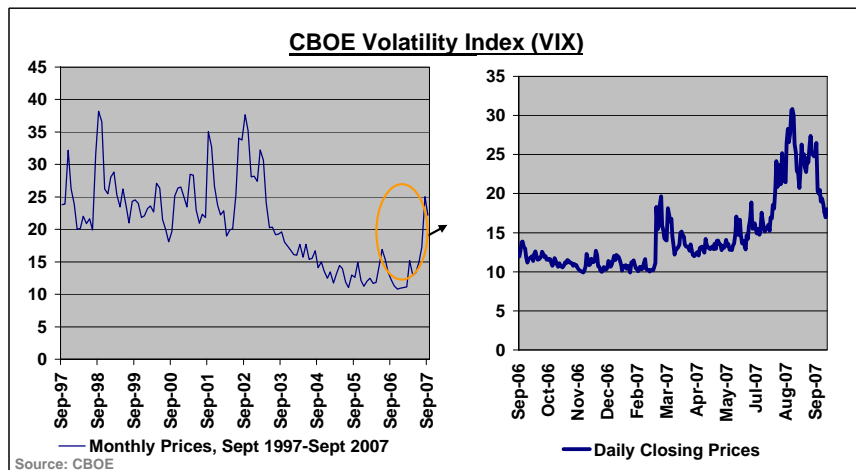
Themes of the Third Quarter



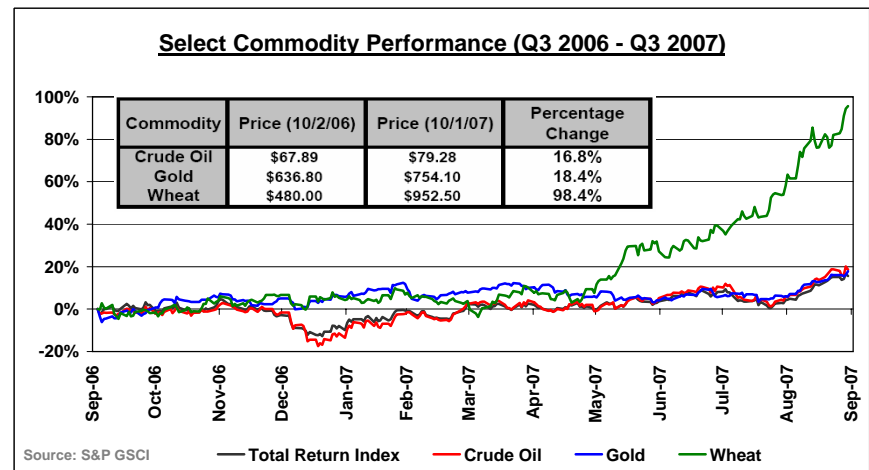
- Corporate-bond issuance declined during Q3 as problems with risky mortgages spread to the broader credit markets.
- Investors stayed away from junk bonds, high-yield, low rated debt issued by companies with risky credit profiles. U.S. companies issued roughly \$9B in junk bonds during the quarter, the worst on record. This is down from \$56.5B in Q2.



- The British Pound (£) maintained its strength versus the U.S. Dollar, ending Q3 2007 at \$2.04/£1.0. The U.S. Dollar (US\$) continued to weaken in September, hitting an all-time low versus the Euro of \$1.42/€1.0. The Canadian Dollar (C\$) hit parity with the U.S. Dollar for the first time since 1976. The Japanese Yen (¥) reached a high of ¥113.43/\$1.0, the highest level since June 2006.



- The volatility in equities markets, as measured by the Chicago Board Options Exchange Volatility Index or VIX increased sharply during Q3.
- The Index reached a high of 30.83 on the close of August 16, 2007 after closing at 14.72 on July 6, 2007. However, the VIX trended downward after the Federal Reserve's September 18 interest rate cut.



- The S&P GSCI Commodity Index rose 11.6% in the third quarter.
- Rising prices and surging demand for crops are impacting the price of many commodities, including barley, eggs, cheese, oats, rice, peas, sunflower, lentils, and wheat, which is trading at its highest level ever.
- Powerful new sources of demand have emerged, as growing economies in Asia and Latin America are enabling hundreds of millions of people to spend more on food.

FUND DESCRIPTIONS

Fund	Objective	Description
Principal Guaranteed Interest Account	To seek stability of principal.	The Fund gives a guaranteed interest rate for a specific period of time as determined or allowed by the plan. The rate is set at the start of the plan's 12-month deposit year. Each deposit made into the account during the deposit year gets the rate. A new rate is set at the start of each deposit year.
Principal Money Market Account	To seek a high level of current income consistent with preservation of principal and maintenance of liquidity.	The Fund invests in a portfolio of high quality, short-term money market instruments. The investments are U.S. dollar dominated securities, which the sub-advisor believes present minimal credit risks. The sub-advisor maintains a dollar weighted average portfolio maturity of 90 days or less.
Principal Bond & Mortgage Account	To seek current income.	The Fund invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and U.S. government and agency-backed securities. Value is added primarily through sector allocation and security selection.
Principal Stock Emphasis Balanced Account	To seek current income and growth of capital.	The Fund primarily invests in other separate accounts offered by The Principal. It usually maintains at least 50% of assets in common stocks.
Vanguard Windsor II Fund Inv	To seek long-term growth of capital; current income is a secondary consideration.	The Fund invests primarily in undervalued stocks of medium and large companies, characterized by above-average dividend yields and below-average price/earnings ratios relative to the stock market. It may also invest up to 20% of assets in foreign securities.

FUND DESCRIPTIONS

Fund	Objective	Description
Principal Large Cap Stock Index Account	To seek returns in line with the S&P 500 Index.	The Fund normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.
Principal Large Company Growth Account	To seek long-term growth of capital.	The Fund primarily invests in common stocks of large capitalization companies with strong earnings growth potential. It normally invests the majority of assets in companies with large market capitalizations at the time of purchase. It may invest up to 25% of assets in foreign securities.
Principal Mid Cap Stock Fund (Edge)	To seek long-term capital appreciation.	The Fund invests at least 80% of net assets (plus any borrowings for investment purposes) in common stocks of companies with medium market capitalizations, which is similar to companies in the S&P Mid Cap 400 Index. The Fund may invest up to 20% of assets in REIT securities. It may invest in fixed income securities of any maturity, including mortgage-backed securities, and may invest up to 20% of assets in U.S. government securities and collateralized mortgage obligations. The Fund may invest up to 25% of assets in securities of foreign issuers.
Principal Small Company Value Account	To seek long-term growth of capital.	The Fund invests primarily in common stocks of small capitalization companies. It normally invests the majority of assets in companies with market capitalizations similar to those companies in the Russell 2000 Value Index. It may invest up to 25% of assets in foreign securities.

FUND DESCRIPTIONS

Fund	Objective	Description
Vanguard Explorer Fund	To seek long-term capital appreciation.	The Fund invests mainly in the stocks of small companies. These companies tend to be unseasoned but are considered by the Fund's advisors to have superior growth potential. These companies often provide little or no dividend income.
Principal Diversified International Account	To seek long-term growth of capital.	The Fund normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the U.S.; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the U.S. It may invest securities of companies with small to medium market capitalizations.
Principal LifeTime Strategic Income	The investment seeks current income.	The Fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund moderate exposure to the domestic and foreign equity and fixed income markets.
Principal LifeTime 2010 Separate Acct.	To seek long-term growth of capital and current income.	The Fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. Assets are allocated so that within approximately ten to fifteen years after the year 2020 the Fund's assets match the asset allocation of the Principal LifeTime Strategic Income Fund.

FUND DESCRIPTIONS

Fund	Objective	Description
Principal LifeTime 2020 Separate Acct.	To seek long-term growth of capital and current income.	The Fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. Assets are allocated so that within approximately ten to fifteen years after the year 2020 the Fund's assets match the asset allocation of the Principal LifeTime Strategic Income Fund.
Principal LifeTime 2030 Separate Acct.	To seek long-term growth of capital and current income.	The Fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. Assets are allocated so that within approximately ten to fifteen years after the year 2030 the Fund's assets match the asset allocation of the Principal LifeTime Strategic Income Fund.
Principal LifeTime 2040 Separate Acct.	To seek long-term growth of capital and current income.	The Fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. Assets are allocated so that within approximately ten to fifteen years after the year 2040 the Fund's assets match the asset allocation of the Principal LifeTime Strategic Income Fund.
Principal LifeTime 2050 Separate Acct.	To seek long-term growth of capital and current income.	The Fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. Assets are allocated so that within approximately ten to fifteen years after the year 2050 the Fund's assets match the asset allocation of the Principal LifeTime Strategic Income Fund.

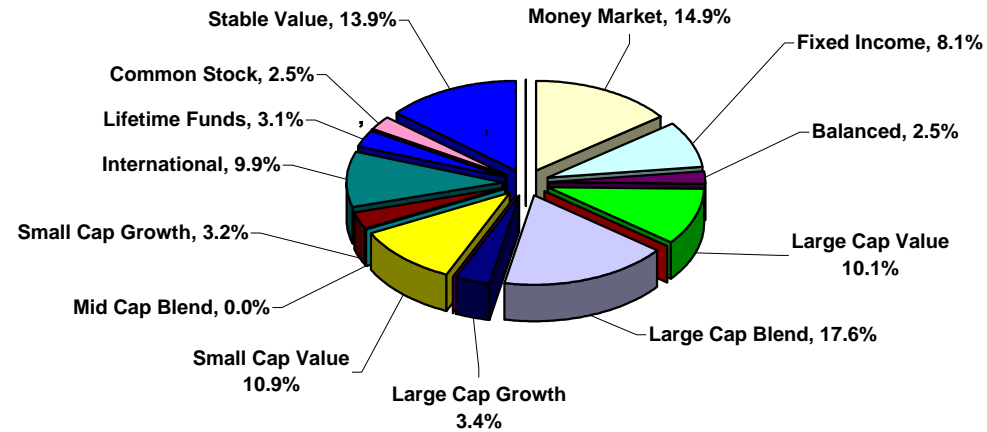
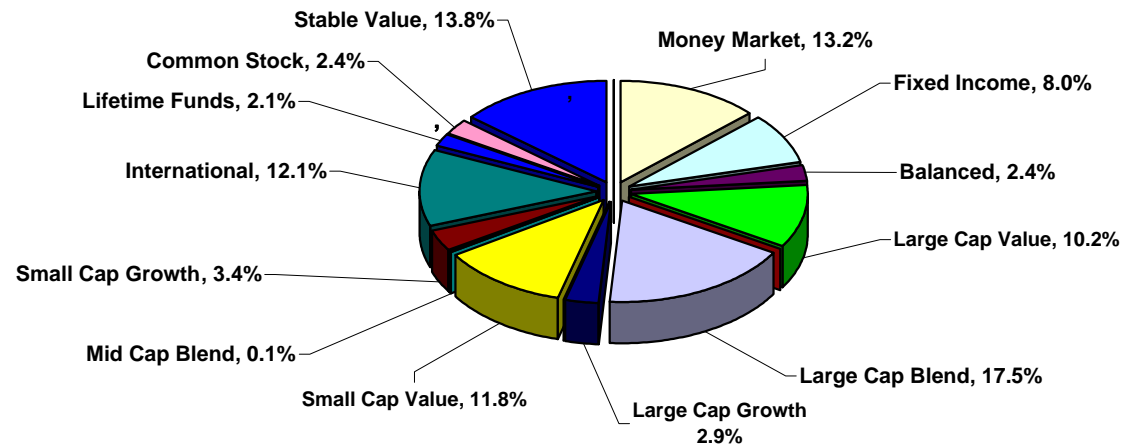
PLAN ACTIVITY
June 30, 2007 through September 30, 2007

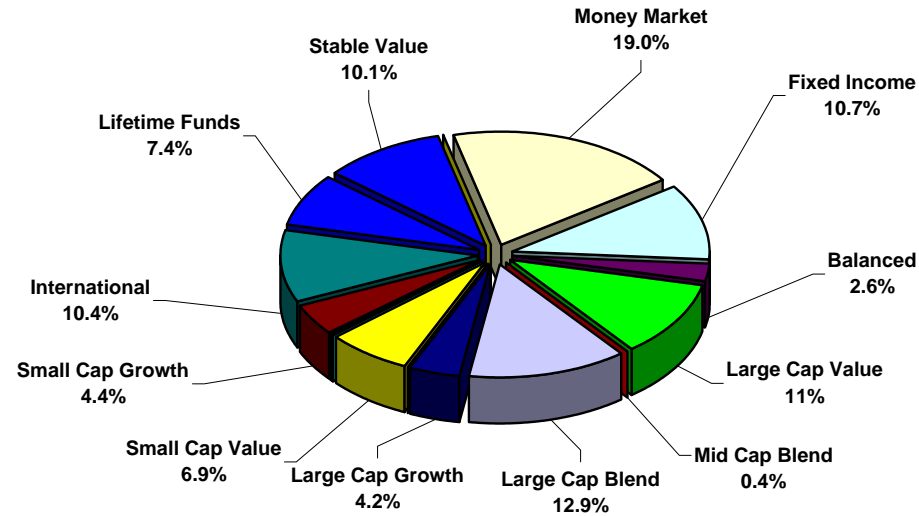
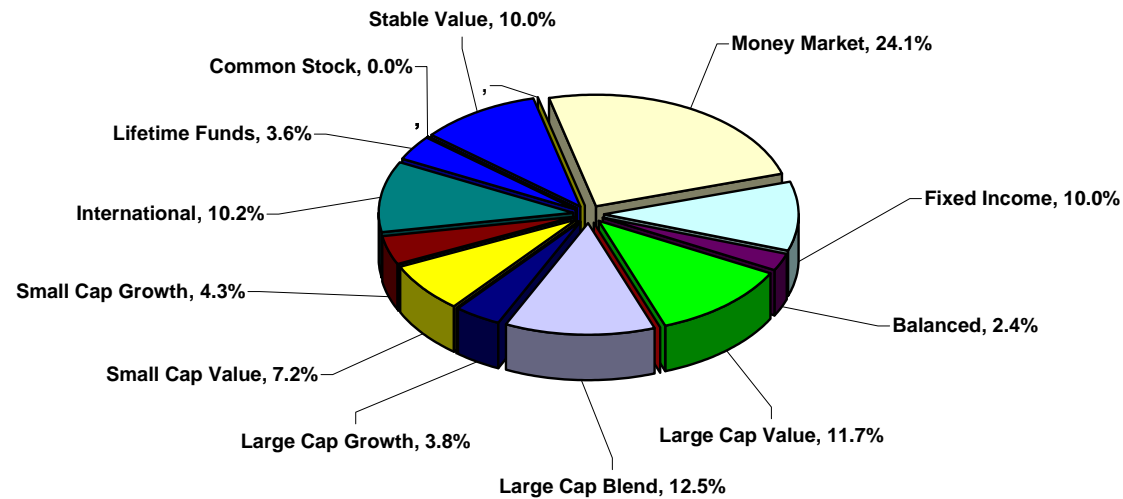
Funds	Beginning Balance July 1, 2007	Contributions	Withdrawals/ Distributions	Net Transfers	Fees	Investment Gains/Losses	Ending Balance September 30, 2007
Principal 2 Year Guaranteed Interest Account*	\$649,480	\$14,614	(\$2,545)	\$0	(\$145)	\$5,625	\$667,029
Principal 7 Year Guaranteed Interest Account*	\$1,446,735	\$26,364	(\$46,329)	\$0	(\$202)	\$13,105	\$1,439,673
Principal Money Market Account	\$2,016,501	\$76,907	\$140,758	\$0	(\$1,689)	\$25,624	\$2,258,100
Principal Bond & Mortgage Account	\$1,223,187	\$43,433	(\$56,777)	\$0	(\$565)	\$21,170	\$1,230,449
Principal Stock Emphasis Balanced Account	\$359,328	\$10,394	(\$8,071)	\$0	(\$1)	\$13,187	\$374,837
Vanguard Windsor II Fund Inv	\$1,553,784	\$44,464	(\$47,844)	\$0	(\$955)	(\$9,407)	\$1,540,041
Principal Large Cap Stock Index Account	\$2,668,488	\$52,239	(\$93,777)	\$0	(\$1,036)	\$50,579	\$2,676,493
Principal Large Company Growth Account	\$446,561	\$16,843	\$8,916	\$0	(\$478)	\$42,040	\$513,881
Principal Mid Cap Stock Fund (Edge)	\$13,544	\$1,598	(\$8,051)	\$0	\$0	(\$1,043)	\$6,049
Principal Small Company Value Account	\$1,804,084	\$27,705	(\$91,064)	\$0	(\$184)	(\$89,544)	\$1,650,996
Vanguard Explorer Fund	\$514,890	\$17,913	(\$37,559)	\$0	(\$387)	(\$6,579)	\$488,278
Principal Diversified International Account	\$1,848,403	\$41,864	(\$451,757)	\$0	(\$1,767)	\$68,653	\$1,505,396
Principal Lifetime Strategic Income	\$7,957	\$171	\$0	\$0	\$0	\$107	\$8,234
Principal Lifetime 2010	\$59,356	\$6,183	\$2,616	\$0	\$0	\$1,379	\$69,534
Principal Lifetime 2020	\$157,133	\$11,979	\$66,343	\$0	\$0	\$8,871	\$244,327
Principal Lifetime 2030	\$80,136	\$5,366	\$22,873	\$0	\$0	\$3,278	\$111,653
Principal Lifetime 2040	\$19,506	\$2,629	\$4,579	\$0	\$0	\$926	\$27,640
Principal Lifetime 2050	\$394	\$3,720	\$0	\$0	\$0	\$158	\$4,272
Principal Common Stock Account	\$371,263	\$0	(\$23,425)	\$0	(\$2)	\$28,533	\$376,369
Total	\$15,240,729	\$404,385	(\$621,113)	\$0	(\$7,414)	\$176,663	\$15,193,251

* Contributions include matured accounts reinvested

Asset Allocation Summary
As of September 30, 2007

	Plan Assets	% of Total
Principal 2 Year Guaranteed Interest Account*	\$667,029	4.4%
Principal 7 Year Guaranteed Interest Account*	\$1,439,673	9.5%
Principal Money Market Account	\$2,258,100	14.9%
Principal Bond & Mortgage Account	\$1,230,449	8.1%
Principal Stock Emphasis Balanced Account	\$374,837	2.5%
Vanguard Windsor II Fund Inv	\$1,540,041	10.1%
Principal Large Cap Stock Index Account	\$2,676,493	17.6%
Principal Large Company Growth Account	\$513,881	3.4%
Principal Mid Cap Stock Fund (Edge)	\$6,049	0.0%
Principal Small Company Value Account	\$1,650,996	10.9%
Vanguard Explorer Fund	\$488,278	3.2%
Principal Diversified International Account	\$1,505,396	9.9%
Principal Lifetime Strategic Income	\$8,234	0.1%
Principal Lifetime 2010	\$69,534	0.5%
Principal Lifetime 2020	\$244,327	1.6%
Principal Lifetime 2030	\$111,653	0.7%
Principal Lifetime 2040	\$27,640	0.2%
Principal Lifetime 2050	\$4,272	0.0%
Principal Common Stock Account	\$376,369	2.5%
Total Assets	\$15,193,251	100.0%

3Q 2007 Asset Allocation**2Q 2007 Asset Allocation**

3Q 2007 Contribution Allocation**2Q 2007 Contribution Allocation**

Performance Summary For Periods Ended September 30, 2007

Funds	Quarter	YTD	1 Year	3 Years	5 Years
Principal 2-Year Guaranteed Interest Account	0.90	2.76	3.62	3.18	2.22
Principal 7-Year Guaranteed Interest Account	1.05	3.00	3.97	3.69	3.41
Principal Money Market Account	1.22	3.66	4.90	3.77	2.56
3 Month U.S. Treasury Bill	1.05	3.53	4.81	4.08	2.89
Principal Bond & Mortgage Account	1.75	2.49	3.97	3.57	4.18
Lehman Brothers Aggregate Bond Index	2.85	3.84	5.13	3.86	4.13
Median of the Core Fixed Income Fund Universe	2.42	3.42	4.72	3.55	4.07
Principal Stock Emphasis Balanced Account	3.68	10.35	17.28	14.93	15.06
Policy Index*	2.05	7.87	14.04	11.87	13.43
Median of the Balanced Fund Universe	1.96	7.66	13.26	10.53	11.74
Vanguard Windsor II Fund Inv	-0.61	8.83	16.02	14.90	17.50
Russell 1000 Value Index	-0.24	5.97	14.45	15.25	18.07
Median of the Large Cap Value Fund Universe	-0.74	6.44	14.30	13.74	16.32
Principal Large Cap Stock Index Account	1.97	8.91	16.09	12.80	15.07
S&P 500 Index	2.03	9.13	16.44	13.13	15.45
Median of the Large Cap Blend Fund Universe	1.70	8.72	15.91	12.78	15.01
Principal Large Company Growth Account	9.13	18.48	25.83	17.18	15.51
Russell 1000 Growth Index	4.20	12.67	19.35	12.20	13.84
Median of the Large Cap Growth Fund Universe	5.55	14.13	20.07	12.56	13.66
Principal Mid Cap Stock Fund	-5.75	2.36	11.39	-	-
S&P Mid Cap 400 Index	-0.87	11.01	18.76	-	-
Median of the Mid Cap Blend Fund Universe	-1.96	8.90	16.80	-	-
Principal Small Company Value Account	-4.95	-2.17	6.48	13.16	18.72
Russell 2000 Value Index	-6.26	-2.70	6.08	12.50	18.70
Median of the Small Cap Value Fund Universe	-6.78	-0.67	7.76	11.95	17.85
Vanguard Explorer Fund	-1.06	9.52	17.38	14.48	18.01
Russell 2000 Growth Index	0.02	9.35	18.94	14.11	18.70
Median of the Small Cap Growth Fund Universe	0.86	11.80	19.50	14.30	17.90
Principal Diversified International Stock Account	4.79	18.14	31.74	29.50	26.39
MSCI Net EAFE	2.18	13.15	24.86	23.24	23.56
Median of the Foreign Equity Fund Universe	2.14	13.51	25.16	23.18	23.28
Principal Lifetime Strategic Income	1.31	2.88	6.05	7.16	8.84
Policy Index*	2.59	5.38	8.41	6.85	7.55
Principal Lifetime 2010	2.02	5.99	11.00	10.13	11.42
Policy Index*	2.24	7.37	12.78	10.86	12.07

**Performance Summary
For Periods Ended September 30, 2007**

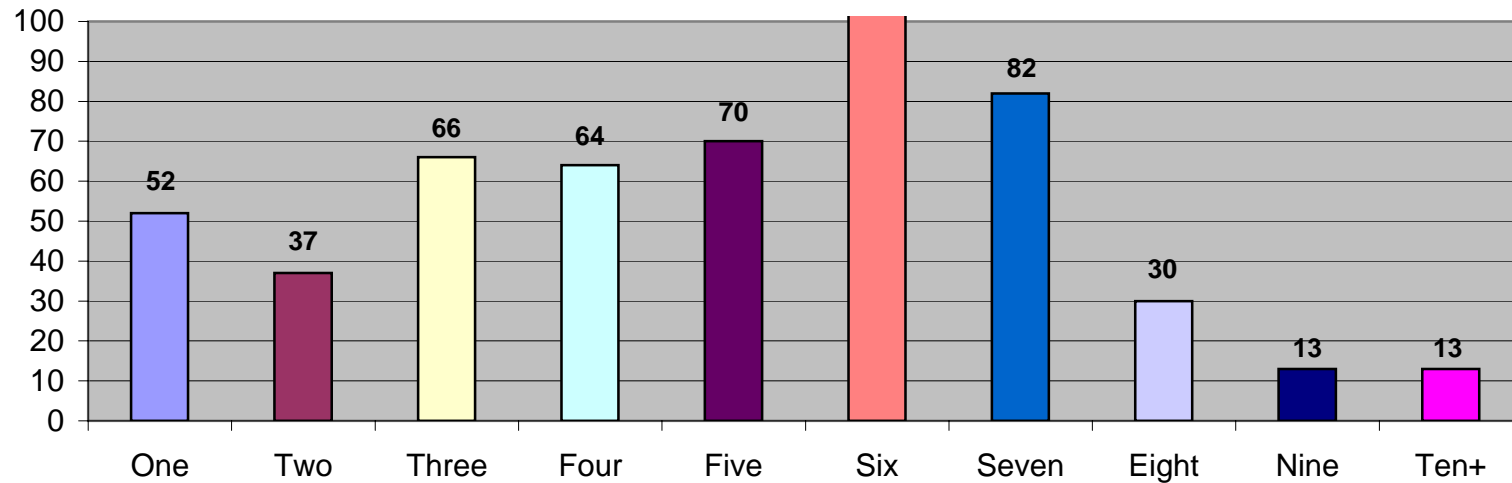
Funds	Quarter	YTD	1 Year	3 Years	5 Years
<i>Principal Lifetime 2020</i>	2.46	7.94	14.09	12.67	13.31
Policy Index*	2.09	8.22	14.69	12.60	14.02
<i>Principal Lifetime 2030</i>	2.66	9.09	16.04	13.90	14.48
Policy Index*	1.99	8.81	16.02	13.83	15.38
<i>Principal Lifetime 2040</i>	2.79	9.97	17.42	14.69	15.19
Policy Index*	1.91	9.23	16.99	14.71	16.36
<i>Principal Lifetime 2050</i>	2.87	10.20	18.05	15.31	16.03
Policy Index*	1.87	9.44	17.49	15.16	16.87

*The Principal Stock Emphasis Balanced Account Policy Index consists of 58% Russell 3000 Index/12% MSCI EAFE Net Index/30% Lehman Aggregate Bond Index.

**Principal
Participant Information**

	Number of Participants per Fund
Principal 2 Year Guaranteed Interest Account*	117
Principal 7 Year Guaranteed Interest Account*	206
Principal Money Market Account	305
Principal Bond & Mortgage Account	313
Principal Stock Emphasis Balanced Account	92
Vanguard Windsor II Fund Inv	324
Principal Large Cap Stock Index Account	386
Principal Large Company Growth Account	222
Principal Mid Cap Stock Fund (Edge)	9
Principal Small Company Value Account	236
Vanguard Explorer Fund	181
Principal Diversified International Account	321
Principal Lifetime Strategic Income	3
Principal Lifetime 2010	11
Principal Lifetime 2020	18
Principal Lifetime 2030	13
Principal Lifetime 2040	10
Principal Lifetime 2050	6
Principal Common Stock Account	218

Principal
Investment Diversification as of September 30, 2007



Number of Funds	Number of Participants	Percent
One	52	9.0%
Two	37	6.4%
Three	66	11.4%
Four	64	11.0%
Five	70	12.0%
Six	154	26.5%
Seven	82	14.1%
Eight	30	5.2%
Nine	13	2.2%
Ten+	13	2.2%
	581	100%
Average number of funds being used in the Plan:		
		5
Average Account Balance		\$26,022
Total Participants in Plan		581

Principal Participant Information

	Number of "One Funders"*
Principal 2 Year Guaranteed Interest Account*	4
Principal 7 Year Guaranteed Interest Account*	2
Principal Money Market Account	28
Principal Bond & Mortgage Account	0
Principal Stock Emphasis Balanced Account	0
Vanguard Windsor II Fund Inv	2
Principal Large Cap Stock Index Account	0
Principal Large Company Growth Account	1
Principal Mid Cap Stock Fund (Edge)	0
Principal Small Company Value Account	1
Vanguard Explorer Fund	1
Principal Diversified International Account	1
Principal Lifetime Strategic Income	1
Principal Lifetime 2010	0
Principal Lifetime 2020	4
Principal Lifetime 2030	4
Principal Lifetime 2040	2
Principal Lifetime 2050	1
Principal Common Stock Account	0
Total	52

* "One Funders" represent the number of participants directing 100% of future contributions to just one fund.

COMMENTS AND CONCLUSIONS

- The **Principal Bond and Mortgage Account** underperformed the Lehman Aggregate Bond Index (1.8% vs. 2.9%) for the three month period ended September 30, 2007. This result placed the Fund in the bottom quartile of the core fixed income mutual fund universe. The Fund's exposure to lower-rated bonds detracted from performance for the third quarter of 2007. The Fund continued to lag the benchmark for the year-to-date and one year, and three year periods posting returns of 2.5%, 4.0%, and 3.6%, respectively. These results ranked in the bottom quartile of the comparative universe for the year-to-date and one year periods, yet placed above the median for the three year periods. Conversely, the Fund outperformed the comparative Index for the five year period (4.2% vs. 4.1%) and placed the Fund above the median of its peer universe.
- The **Vanguard Windsor II Fund** underperformed the Russell 1000 Value Index (-0.6% vs. -0.2%) for the three month period ended September 30, 2007, yet placed above the median of the large cap value mutual fund universe. An underweight within the energy sector combined with an overweight within the healthcare sector hurt performance for the third quarter of 2007. Conversely, the Fund outperformed the benchmark for the year-to-date and one year periods posting returns of 8.8% and 16.0%, respectively. These results ranked in the top quartile of the comparative universe for both periods. Conversely, the Fund lagged the comparative Index for the three and five year periods, posting returns of 14.9% and 17.5%, respectively. However, these results placed the Fund in the top quartile of its peer universe for both periods.
- The **Principal MidCap Stock Fund** (-5.8%) underperformed the S&P Mid Cap 400 Index (-0.9%) for the third quarter of 2007. This result ranked in the bottom percentile of the mid cap blend mutual fund universe. A significant overweight within the financials sector hurt performance for the three month period ended September 30, 2007. The Fund continued to lag the benchmark for the year-to-date period (2.4% vs. 11.0%) and ranked in the bottom percentile of the comparative universe. In addition, the Fund underperformed the comparative Index (11.4% vs. 18.8%) for the one year period and placed in the bottom decile of its peer universe. **Due to recent underperformance and bottom quartile rankings, we recommend placing this Fund on the Watchlist.**

- The **Vanguard Explorer Fund** underperformed the Russell 2000 Growth Index for the three month period ended September 30, 2007 (-1.1% vs. 0.0%). This result placed the Fund below the median of the small cap growth mutual fund universe. An underweight with the healthcare sector, combined with an overweight within the financials sector detracted from performance for the third quarter of 2007. Conversely, the Fund outperformed the benchmark for the year-to-date period (9.5% vs. 9.4%), yet placed below the median of the comparative universe. For the one year period, the Fund lagged the comparative Index (17.4% vs. 18.9%). This result placed the Fund below the median of its peer universe. The Fund outpaced the Russell 2000 Growth Index for the three year period (14.5% vs. 14.1%) and placed above the median of the small cap growth mutual fund universe. For the five year period, the Fund underperformed the benchmark (18.0% vs. 18.7%), yet placed above the median of the comparative universe.

Description of Key Charts

Pie Chart - Shows the allocation of assets among classes and investment managers.

Bar Chart - Compares absolute performance of the portfolio to the absolute performance of the Benchmark Index.

Quartile Chart - Represents a twenty-five percent range of outcomes. A first quartile ranking means that the manager performed in the top twenty-five percent of its peer universe.

Risk Return Chart (Capital Market Line) - An analysis that exhibits the rate of return in relation to the volatility of those returns as measured by the annualized standard deviation of quarterly returns.

Characteristics - Outlines the general characteristics, i.e. median market capitalization, price earnings ratio, average quality etc., of the underlying securities that make up the portfolio.

Major Equity Strategies and Terminology

Equity - Investment or ownership interest possessed by shareholders in a corporation.

Top-Down - means that the manager looks at the “big picture” second – interest rates, the domestic and/or global economy, the money supply and other economic measures, Federal Reserve behavior, trade figures, inflation, etc. to determine the portfolio allocation to stocks, bonds or cash. Secondly, the manager chooses, for investment, specific sectors and industries consistent within the above mentioned factors. Finally, the manager picks specific securities to buy in the chosen groups.

Bottom-up - refers to a manager whose practice it is second to choose securities that are attractive buys because of specific characteristics of the security. They attempt to find values in these securities anticipated to create future opportunities for profit.

Fundamental - This style includes managers who generate ideas by examining industry publications, 13D filings, company reports and documents, and thorough discussions with company officials. They also use SEC documents to examine a company's financial strength. Attention is also given to industry dynamics as well as the potential for events to occur that would expose a company's underlying values.

Core - managers handle diversified portfolios, typically using a broad index as their benchmark. They are hired to obtain at least general market performance. Core managers are the foundation of active equity portfolio management on which specialized, more dynamic management is built.

Value - managers analyze a universe of stocks and identify those that may be significantly undervalued (cheap) relative to a variety of fundamental and/or technical criteria. A variety of different "tests" are applied to each stock under analysis based upon the manager's definition of value. Some of the most common measures of value include the price/earnings (P/E) ratio, price/book value ratio, and price/cash flow ratio.

Growth - actually encompasses several styles. In general, managers emphasizing growth stocks attempt to identify companies whose sales, earnings, etc. are growing or are expected to grow more rapidly than other stocks and for the economy as a whole.

Sector Rotation - stresses identification and overemphasis of the sectors of the stock market expected to perform well and underweighting the expected laggards. The investment approach is "top down" in that emphasized sectors are usually identified as those that should perform well based upon anticipated economic, political, demographic and social trends.

Indexing (passive investing) - The objective of the index style is to mirror the S&P 500, or another index, and replicate the performance of that index by purchasing all or a representative sampling of the stocks in that index. Managers hold a large number of stocks in their portfolios with performance results not heavily dependent upon any single issue.

Contrarian - Style of management that invests in companies that are relatively unpopular and out of favor with a majority of investors.

Volatility - A measure of the size and frequency of the fluctuations in the value of a stock, bond or a portfolio. The greater the volatility, the higher the risk involved in holding the investment.

Median Market Capitalization - The middle market value in a distribution of stock holdings.

Price Earnings Ratio (P/E) - The current price of a stock divided by its earnings per share.

Earnings Per Share (EPS) - That portion of a company's profit allocated to each outstanding share of common stock.

Price to Book Ratio (P/B) - The current price of a stock divided by its book value per share.

Major Fixed Income Strategies and Terminology

Fixed Income – Debt instruments issued by corporations, governments or government agencies characterized by a fixed interest rate and stated maturity date.

Top-Down - Means that the manager looks at the “big picture” second - interest rates, the domestic and/or global economy, the money supply and other economic measures, Federal Reserve behavior, trade figures, inflation, etc. to determine the optimal duration, sector and quality of the debt securities held in the portfolio. Secondly, the manager chooses, for investment, specific sectors and industries consistent within the above mentioned factors. Finally, the manager picks specific debt securities to buy in the chosen groups.

Bottom-up - Refers to a manager whose practice it is second to choose the debt securities that are attractive buys because of specific characteristics of the security. They attempt to find values in these securities anticipated to create future opportunities for profit.

Interest Rate Anticipation - The interest rate anticipator employs an active bond strategy to adjust risk/return potentials based on attempting to anticipate change in various levels of interest. If interest rates are going up, the interest rate anticipator will shorten maturities. If rates are going down, maturities will be lengthened.

Market Timing - Market timing may be viewed as extreme interest rate anticipation. This manager is generally fully invested in long-term bonds if rates are expected to decline and up to 100% in cash if rates are likely to rise. There is little security selection involved: to implement very large purchases and sales very quickly, the timer uses only the most liquid bonds, usually Treasury Bonds.

Sector, Coupon, Credit Analysis - This style is often used in conjunction with other fixed income styles to select individual bonds. The current yield spreads between bonds in different sectors (e.g. U.S. Government versus corporate), with different coupons, or with different credit ratings are compared with the historic yield spreads to determine the most attractive sectors, coupons and credit ratings.

Indexing (passive investing) - A passive management style, indexing, involves buying a portfolio that replicates a chosen bond index in all characteristics (e.g. average maturity, coupon, quality). However, the portfolio holds only a fraction of the number of bonds in the index, but holds many more than in other styles of fixed income management. The goal is to match the performance of the index.

Duration - A measure of the effective maturity of a bond, defined as the weighted average of the times until each payment, with weights proportional to the present value of the payment.

Volatility - A measure of the size and frequency of the fluctuation in the value of a stock, bond or a portfolio. The greater the volatility, the higher the risk involved in holding the investment.

Convexity - A mathematical prediction of how a bond will perform relative to other bonds of similar duration given a specific change in interest rates. For example, a debt security is said to have positive convexity should a decline in interest rates produce a price rise above the average equivalent security and negative convexity should the decline in interest rates produce a price rise below the average equivalent security.

Intermediate Term Bond - Bonds with a maturity between three and ten years.

Long Term Bond - A bond with a maturity of ten years or more.

Investment Grade - Bonds rated BBB (Baa) or higher by Standard & Poor's Corporation and Moody's Investment Services. Investment Grade bonds are higher quality than high yield bonds and have lower credit risk.

Treasury Securities - A bond that is a direct debt obligation of the U.S. government issued by the U.S. Treasury. Backed by the "full faith and credit" of the United States, these bonds are considered among the safest investments carrying AAA/Aaa ratings.

Agency Bonds - Debt obligations issued by government sponsored organizations such as the Federal Home Loan Bank and Federal Land Bank. After Treasuries, agency bonds are considered the next highest quality securities in the domestic fixed income market.

Municipal Bonds - Bonds issued by a state or local government or one of its agencies to supplement tax revenues for use in operating or capital expenditures.

Mortgage Backed Security - A security in which a group of mortgages are pooled together and act as collateral for the issuance of the security. The Principal and interest payments of the underlying mortgages are "passed-through" to the security holder. These securities are issued through governmental agencies.

Asset Backed Securities - Debt securities representing pools of consumer loans, typically auto loans or revolving consumer debt.

Credit Bonds - Debt obligations issued by private corporations.

High Yield - Bonds rated BB (Ba) or lower by Standard & Poor's Corporation and Moody's Investor Service. High Yield bonds are lower quality than investment grade bonds and have greater credit risk.

Quality Rating - A measure of a bond issuer's credit quality, or its ability to meet future contractual obligations. Two widely used bond ratings systems are Moody's and Standard & Poors.

Coupon Rate – the annual rate of interest paid to the bond holder.

Yield to Maturity – Internal rate of return on a bond bought at the current price and held to maturity. This assumes that coupon income is reinvested at the yield to maturity.

Quantitative Terms

Alpha - a measure of value added by the manager. Specifically, alpha is the excess portfolio return compared to the risk-adjusted benchmark.

Beta - A measure of a stock's (or portfolio) price and performance volatility relative to the market (benchmark index). A beta of 1.00 means a stock has exhibited the same volatility as the market over the period measured. A beta of 0.85 means, in general, a stock is less volatile than the market (moves 0.85% for each 1.00% move in the market) where a beta of 1.15 means a stock is more volatile than the market.

Batting Average - A measure of a manager's ability to beat the market consistently.

Correlation Coefficient - a statistical measure of the degree to which the movements of two variables are related. A correlation of 1.0 indicates a perfect correlation. A correlation of 0.0 indicates a random relationship between the returns and a correlation of -1.0 indicates a perfect negative correlation (same magnitude in different directions).

Diversification - The reduction in risk that is sought by investing in assets that are not perfectly positively correlated. Diversification is the spreading of risk among a number of different investment opportunities.

Down market - A quarter in which the market return is negative.

Down-Market Capture Ratio - A measure of managers' performance in down markets relative to the market itself.

Information Ratio - A measure of the consistency of value added by an investment manager. Specifically the information ratio is the alpha divided by the variability of the alpha.

Peer Universe - a broadly defined group of investment managers (mutual funds) who employ a similar investment style.

R-squared - a measurement of how closely a portfolio's performance correlates with a benchmark Index.

Sharpe Ratio - A risk-adjusted ratio, developed by William Sharpe, calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the ratio the better the fund's historical risk-adjusted performance.

Standard Deviation - A measure of the dispersion of a set of numbers around the average.

Time Weighed Rate of Return – A rate of return calculation that takes cash flow into consideration. Time-weighted rates of return by definition are calculated to minimize the effect of cash flows into and out of the portfolio.

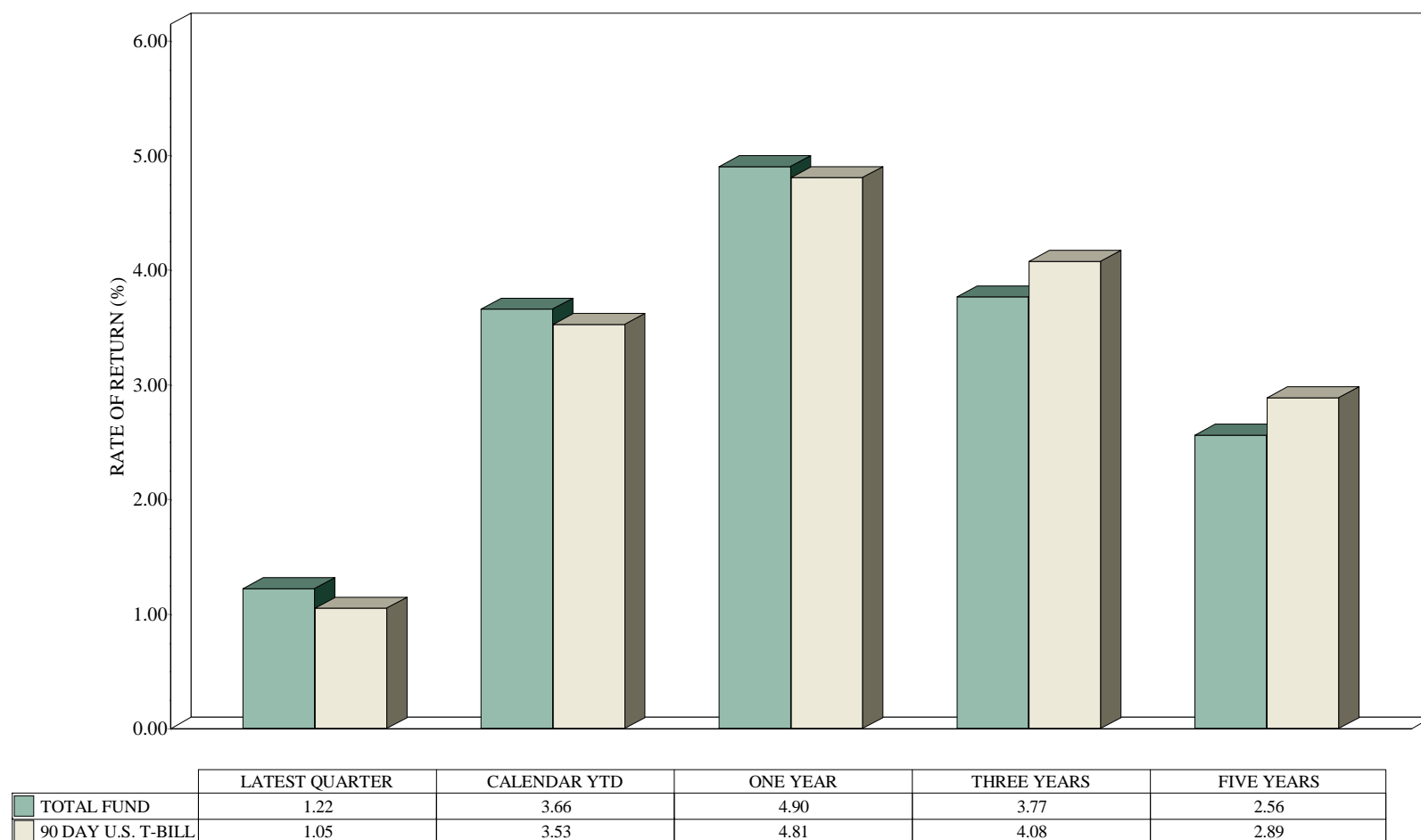
Tracking Error - The amount by which the performance of the portfolio differed by that of the benchmark.

Turnover - volume of shares traded as a percentage of total shares currently held in the portfolio during a given period of time.

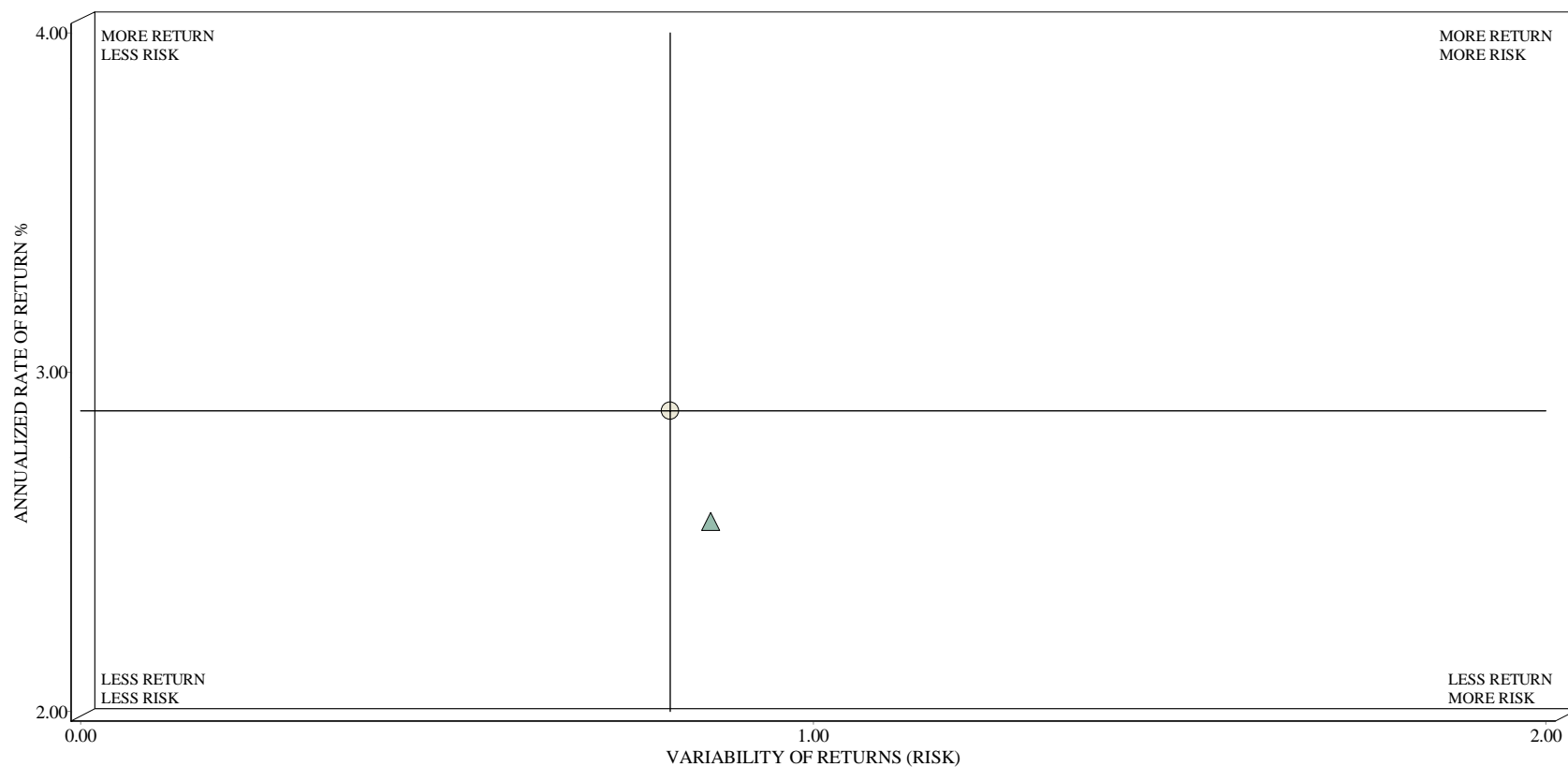
Up market - A quarter in which the market return is positive.

Up Market Capture Ratio - A measure of managers' performance in up markets relative to the market itself.

**PRINCIPAL MONEY MARKET
TIME-WEIGHTED RETURNS**

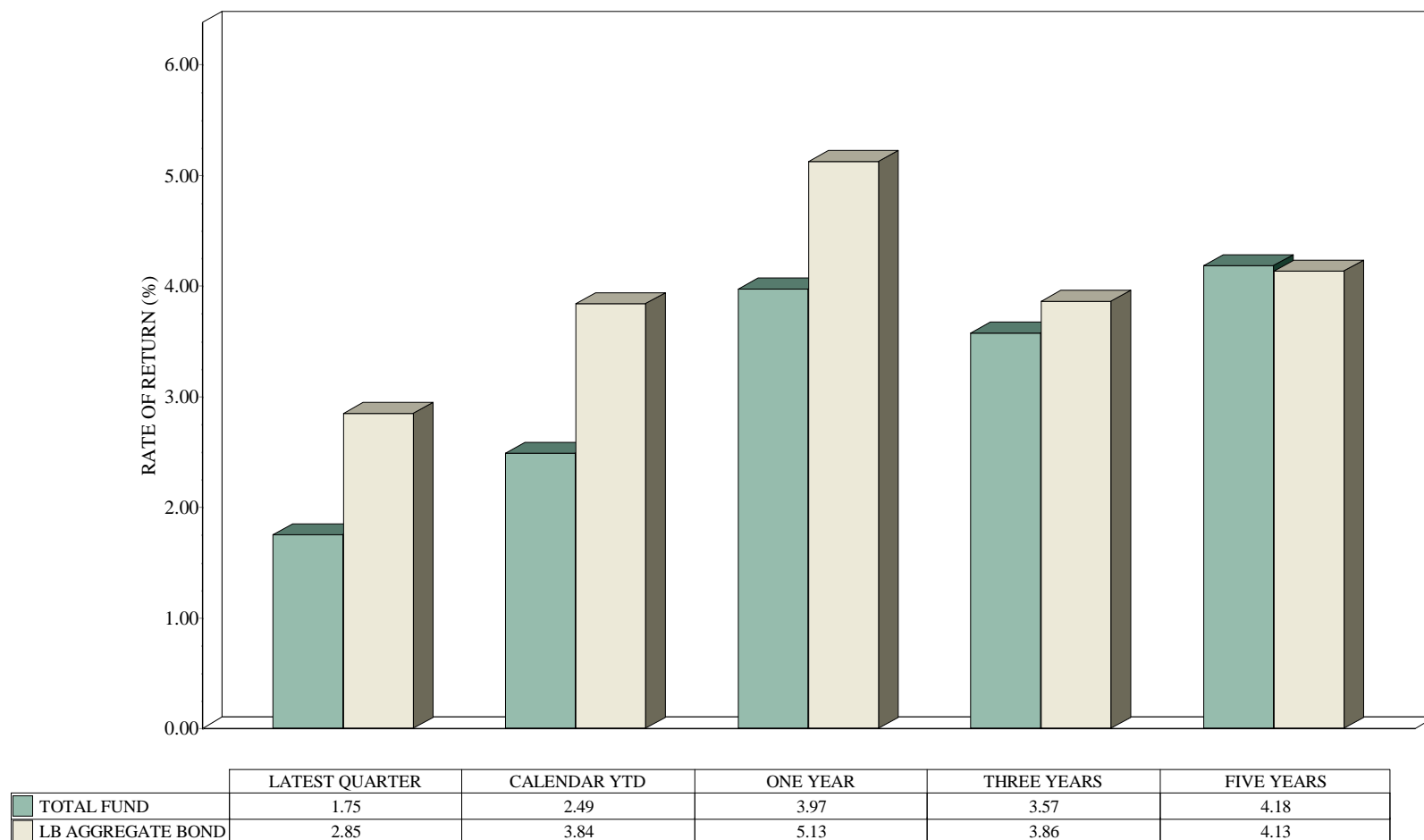


PRINCIPAL MONEY MARKET
CAPITAL MARKET LINE - 5 YEARS

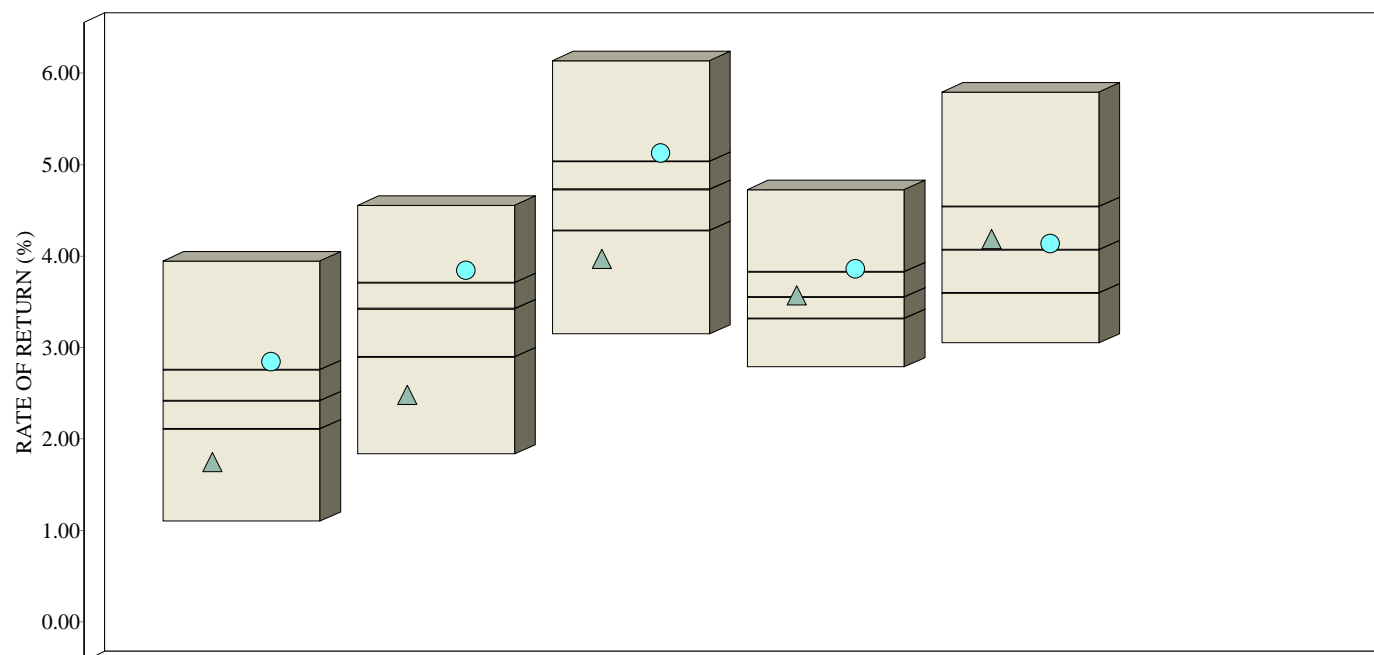


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	2.56	0.86	N/A	N/A	N/A
○ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL BOND AND MORTGAGE
TIME-WEIGHTED RETURNS**

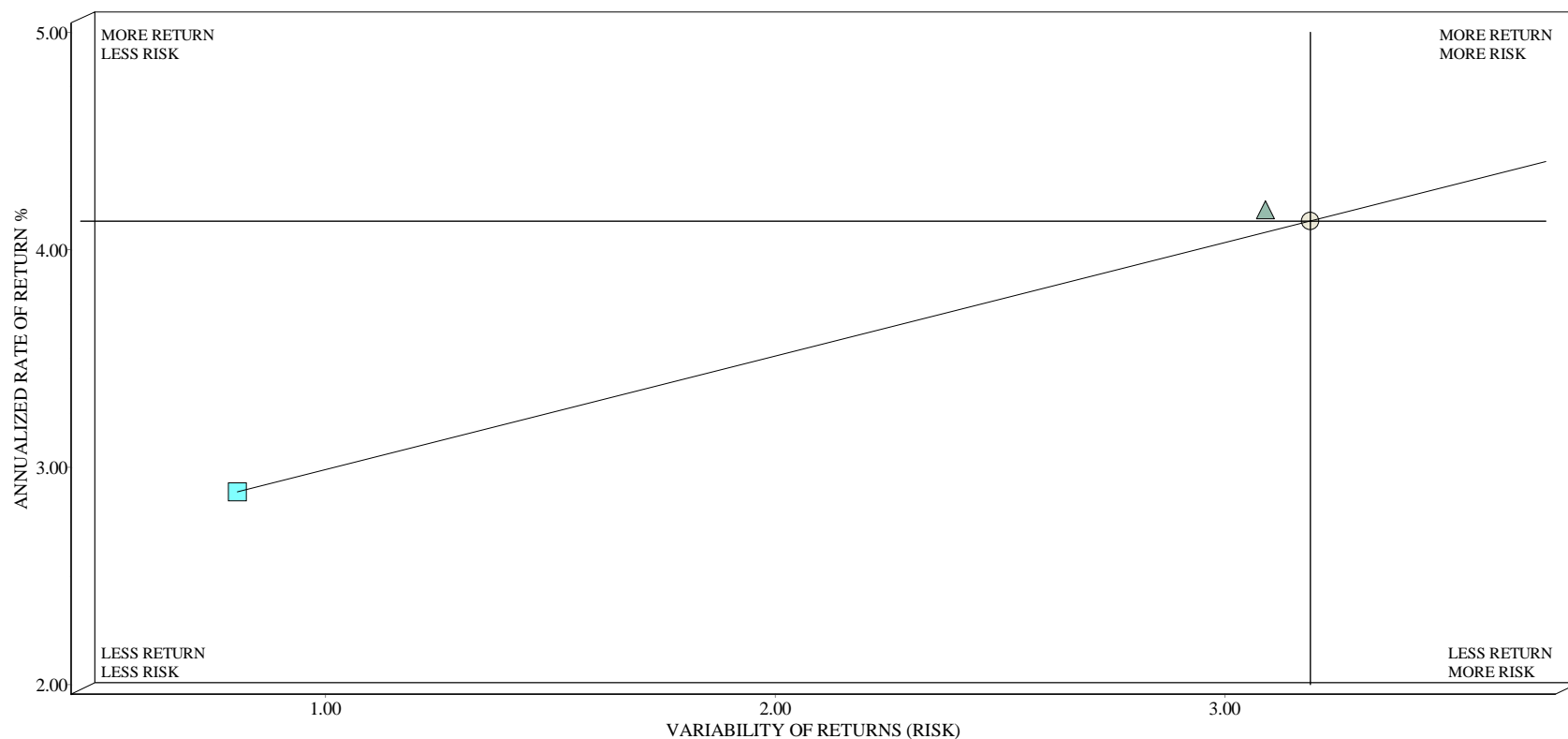


QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST CORE FIXED INCOME MUTUAL FUNDS



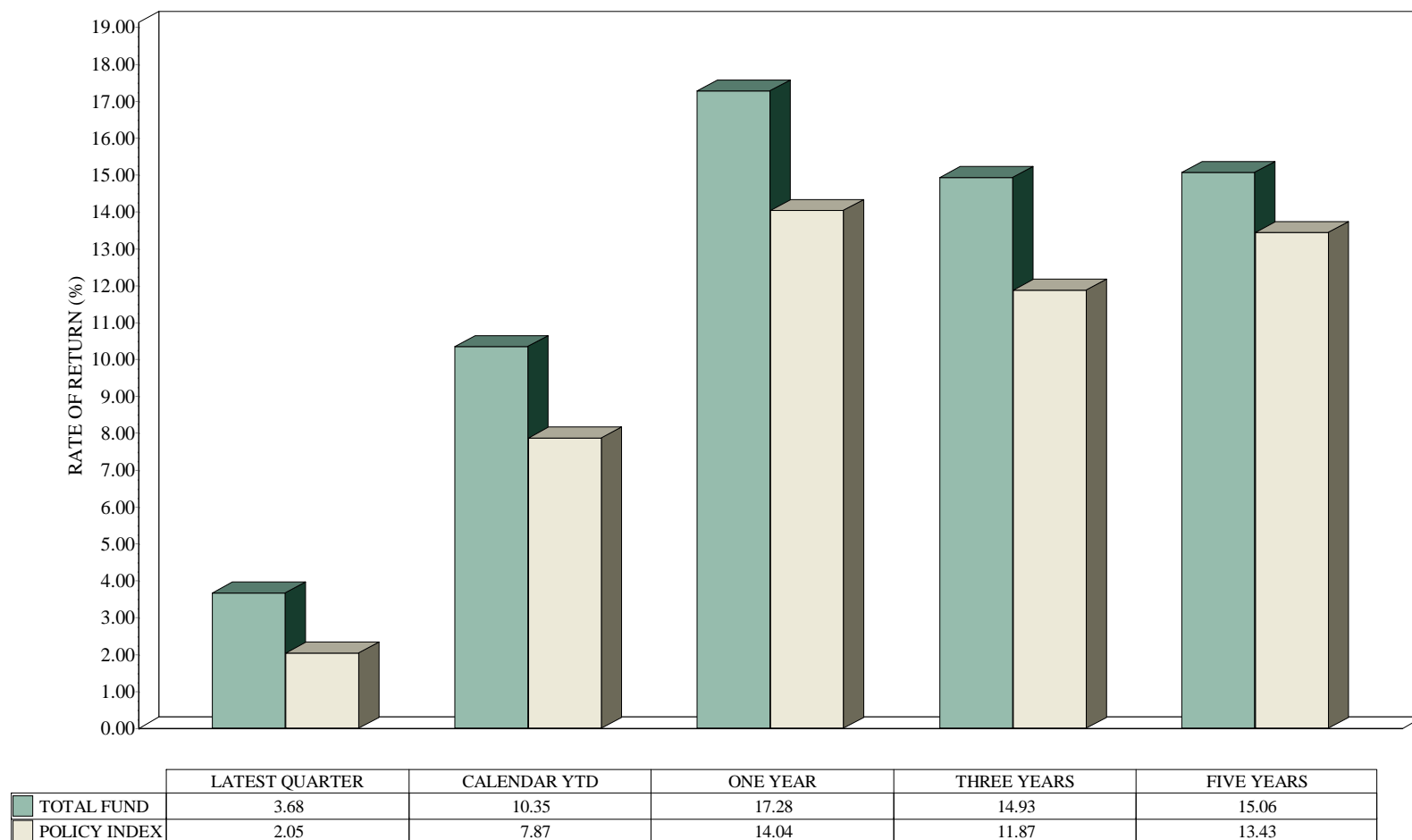
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
HIGHEST VALUE		3.94		4.55		6.14		4.72		5.79
FIRST QUARTILE		2.75		3.70		5.03		3.83		4.54
MEDIAN VALUE		2.42		3.42		4.72		3.55		4.07
THIRD QUARTILE		2.11		2.89		4.28		3.31		3.59
LOWEST VALUE		1.09		1.83		3.15		2.78		3.05
MEAN		2.38		3.30		4.62		3.57		4.14
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL BOND MTG	1.75	85	2.49	85	3.97	85	3.57	48	4.18	42
● LB AGGREGATE BOND	2.85	15	3.84	17	5.13	18	3.86	22	4.13	48

PRINCIPAL BOND AND MORTGAGE
CAPITAL MARKET LINE - 5 YEARS

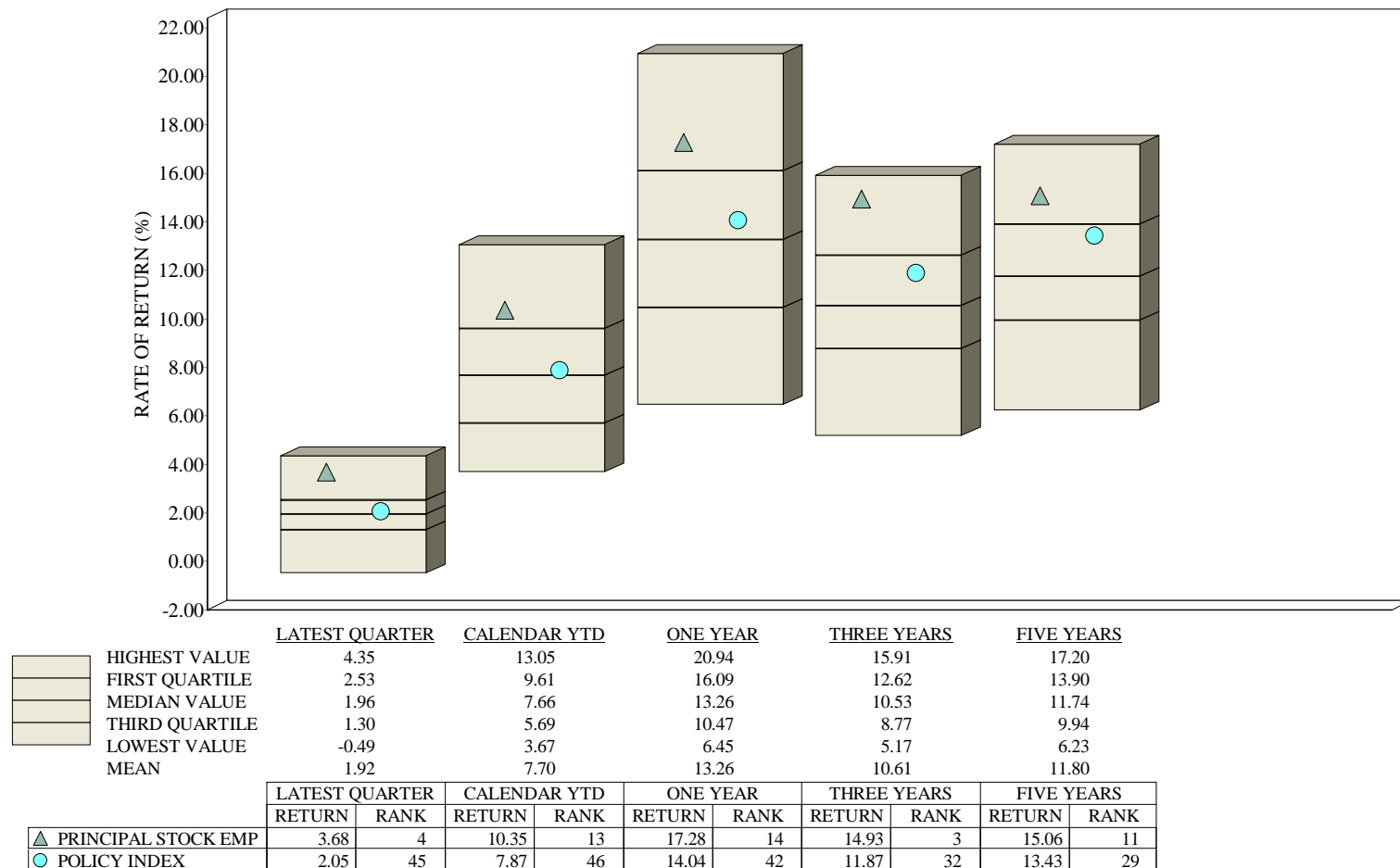


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	4.18	3.09	0.97	0.09	96.40
○ LB AGGREGATE BOND	4.13	3.19	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

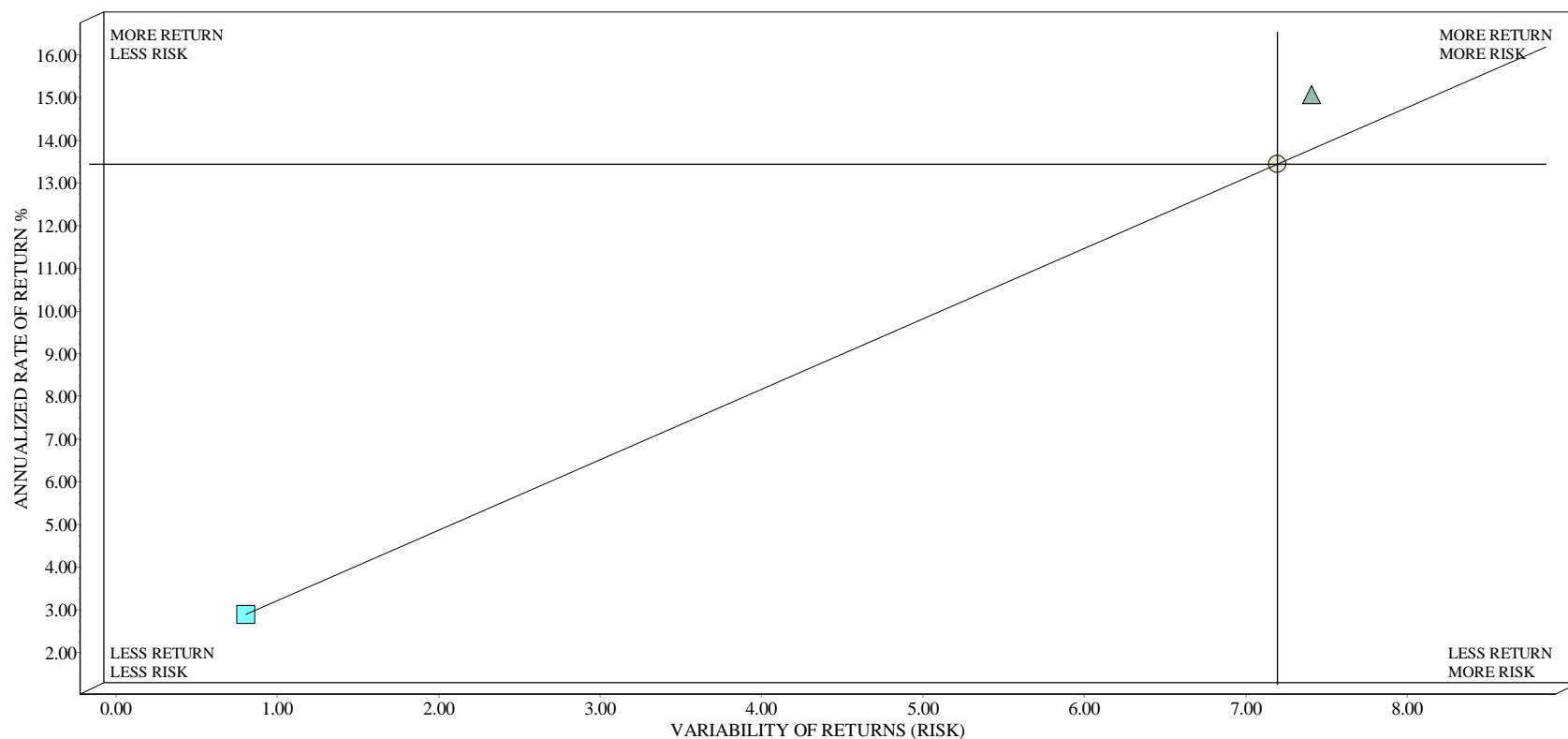
**PRINCIPAL STOCK EMPHASIS BALANCED
TIME-WEIGHTED RETURNS**



QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST BALANCED MUTUAL FUNDS

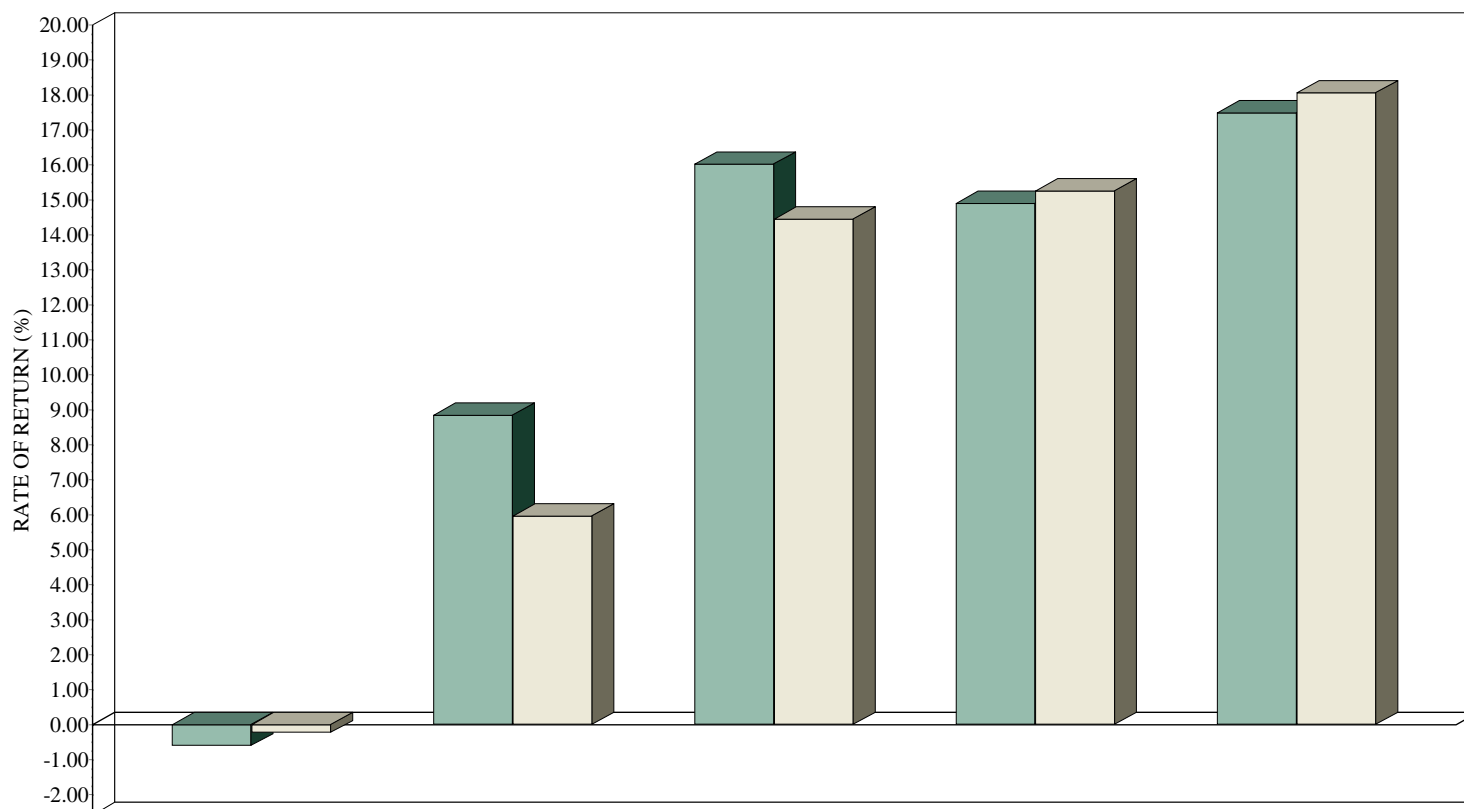


PRINCIPAL STOCK EMPHASIS BALANCED
CAPITAL MARKET LINE - 5 YEARS



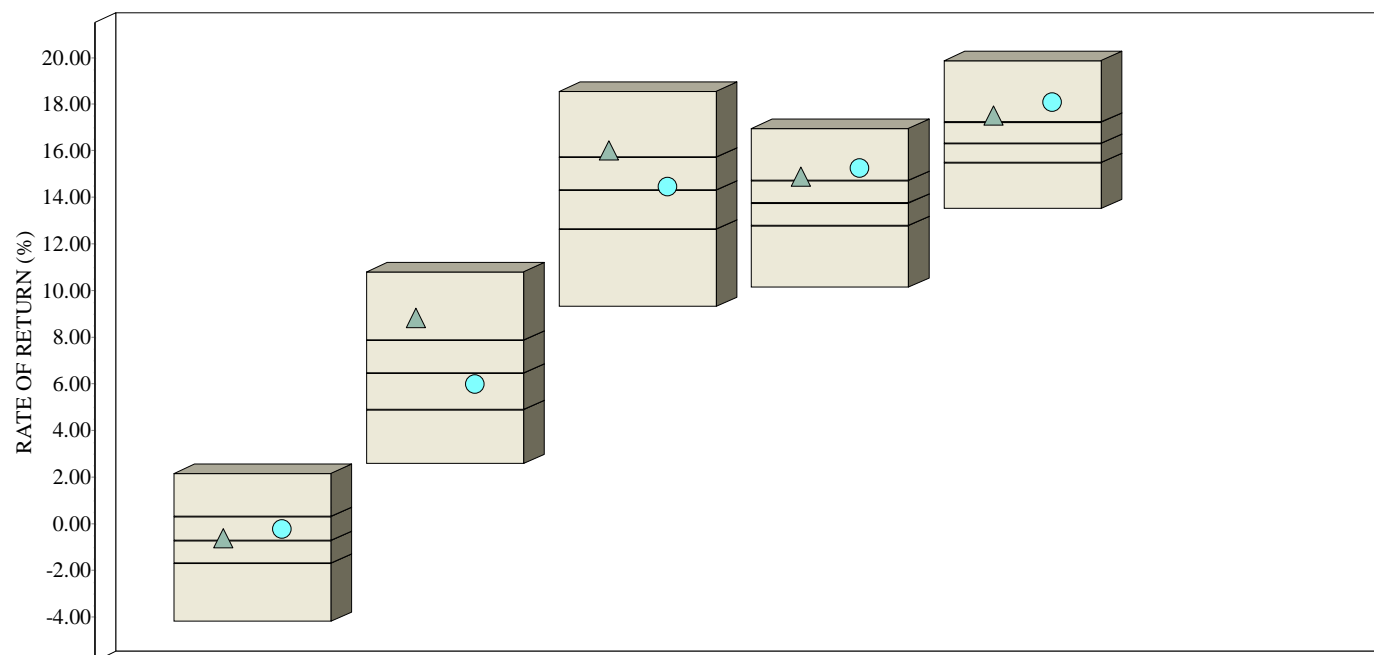
	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	15.06	7.41	0.98	1.65	92.81
○ POLICY INDEX	13.43	7.19	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

VANGUARD WINDSOR II/INV
TIME-WEIGHTED RETURNS



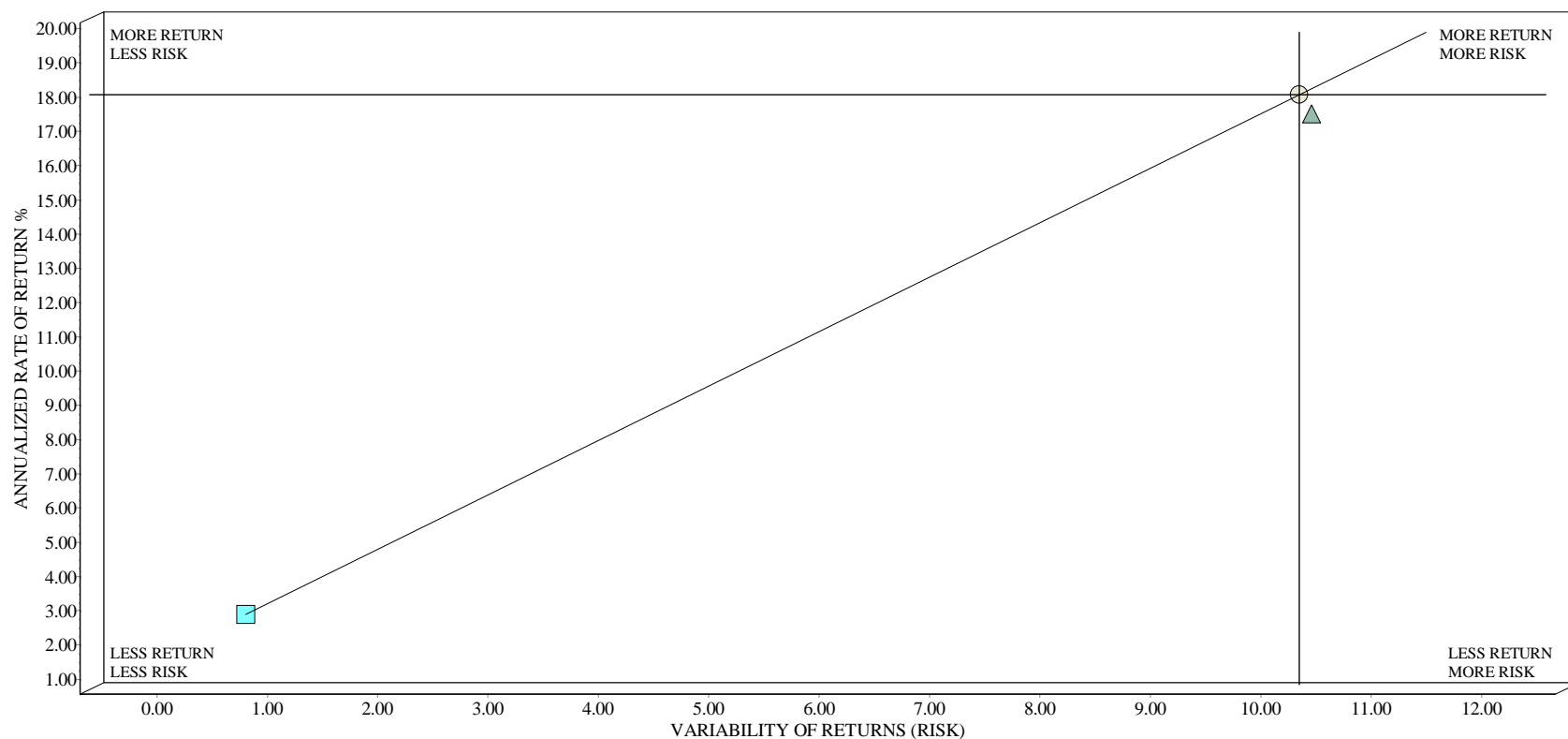
	LATEST QUARTER	CALENDAR YTD	ONE YEAR	THREE YEARS	FIVE YEARS
TOTAL FUND	-0.61	8.83	16.02	14.90	17.50
RUSSELL 1000 VALUE	-0.24	5.97	14.45	15.25	18.07

QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S.A. LARGE CAP VALUE MUTUAL FUND UNIVERSE



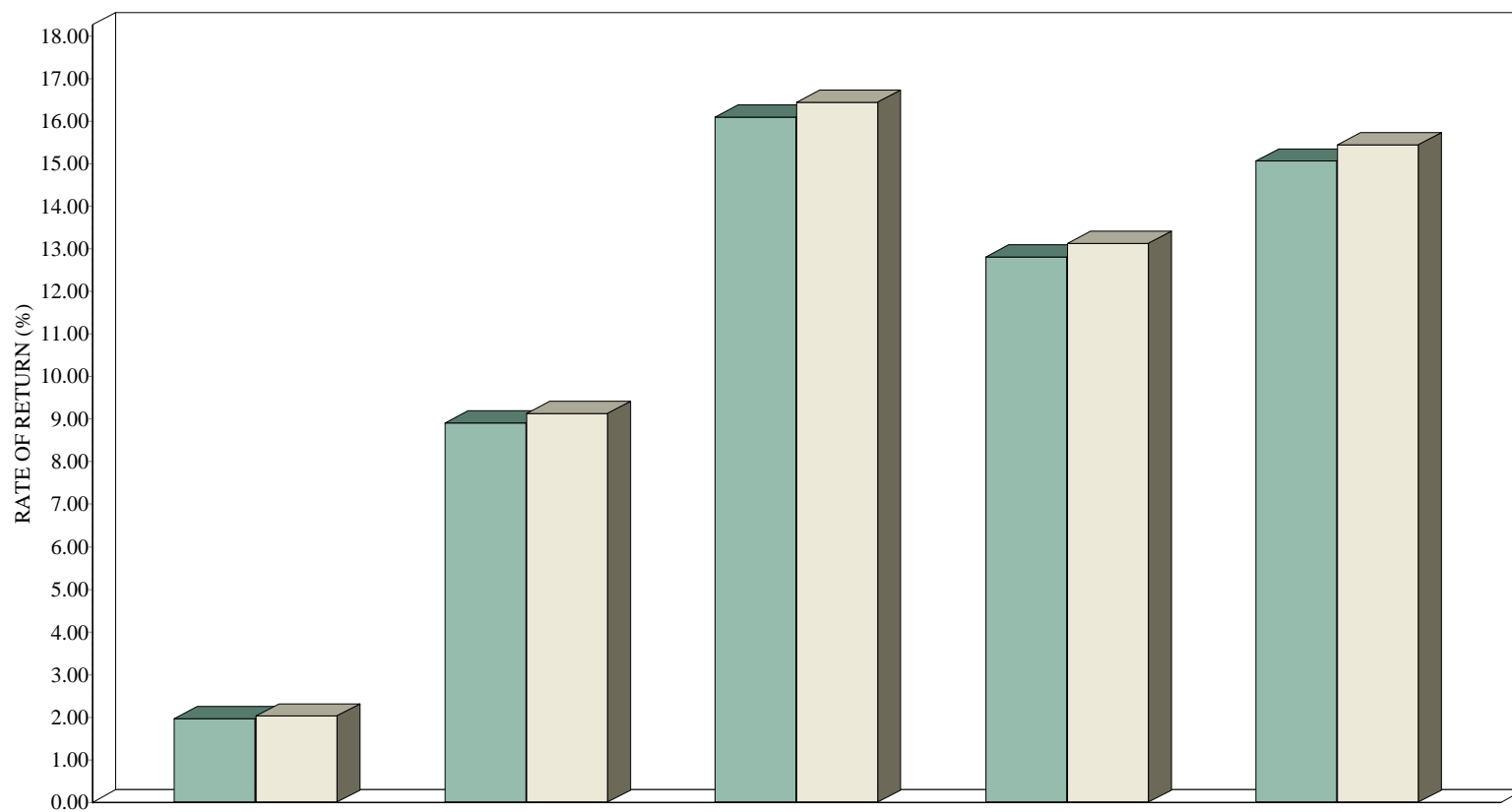
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
HIGHEST VALUE		2.15		10.81		18.54		16.97		19.87
FIRST QUARTILE		0.30		7.85		15.71		14.73		17.22
MEDIAN VALUE		-0.74		6.44		14.30		13.74		16.32
THIRD QUARTILE		-1.71		4.89		12.64		12.78		15.49
LOWEST VALUE		-4.21		2.56		9.29		10.13		13.52
MEAN		-0.74		6.32		14.17		13.71		16.36
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ VANGUARD WINDSOR	-0.61	48	8.83	12	16.02	19	14.90	21	17.50	18
● RUSSELL 1000 VALUE	-0.24	38	5.97	58	14.45	46	15.25	16	18.07	11

VANGUARD WINDSOR II/INV
CAPITAL MARKET LINE - 5 YEARS



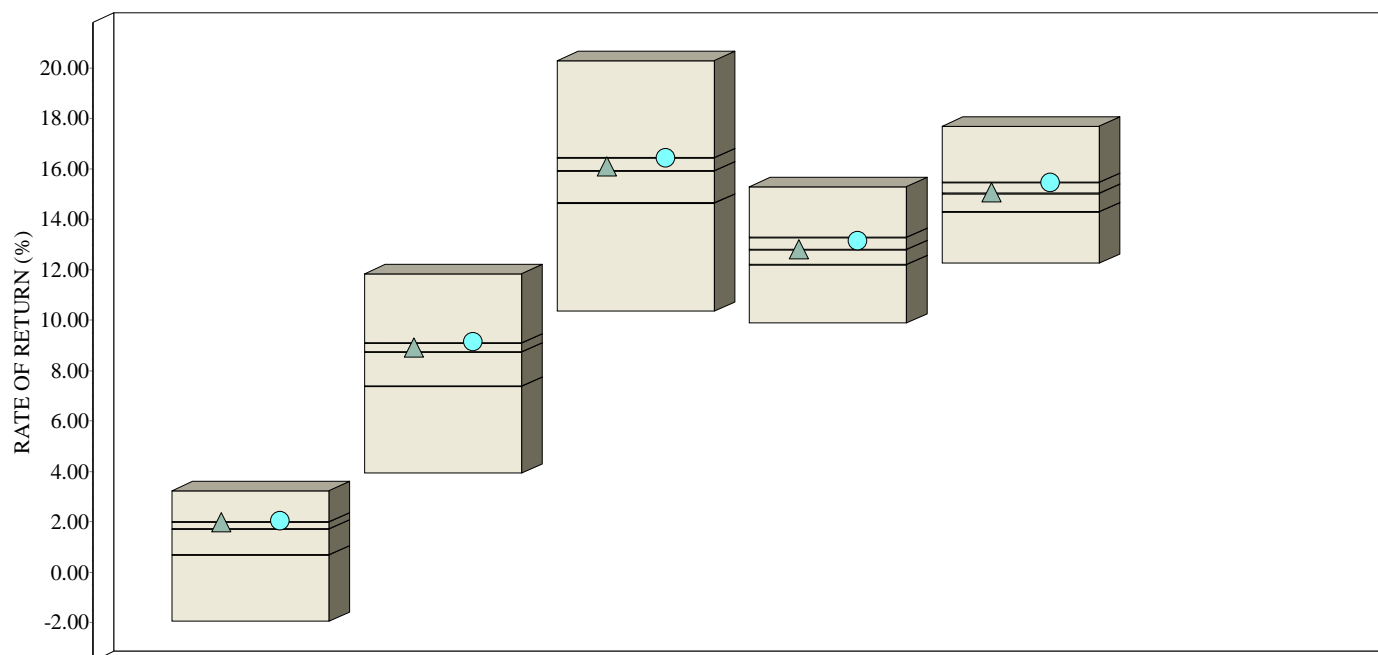
	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	17.50	10.46	0.97	-0.10	92.79
● RUSSELL 1000 VALUE	18.07	10.35	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LARGE CAP STOCK INDEX
TIME-WEIGHTED RETURNS**



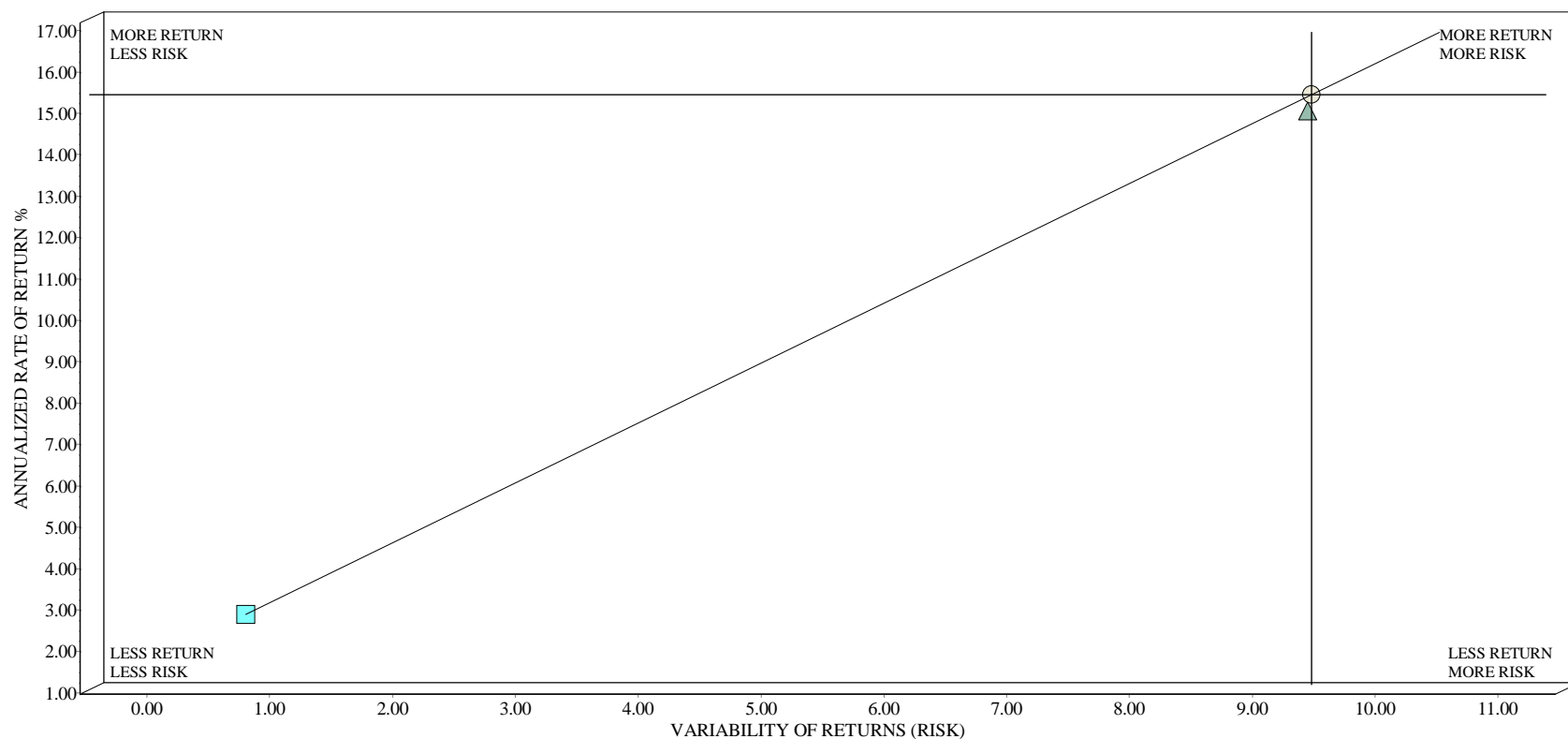
	LATEST QUARTER	CALENDAR YTD	ONE YEAR	THREE YEARS	FIVE YEARS
TOTAL FUND	1.97	8.91	16.09	12.80	15.07
S&P 500	2.03	9.13	16.44	13.13	15.45

QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S. A. LARGE CAP BLEND MUTUAL FUND UNIVERSE



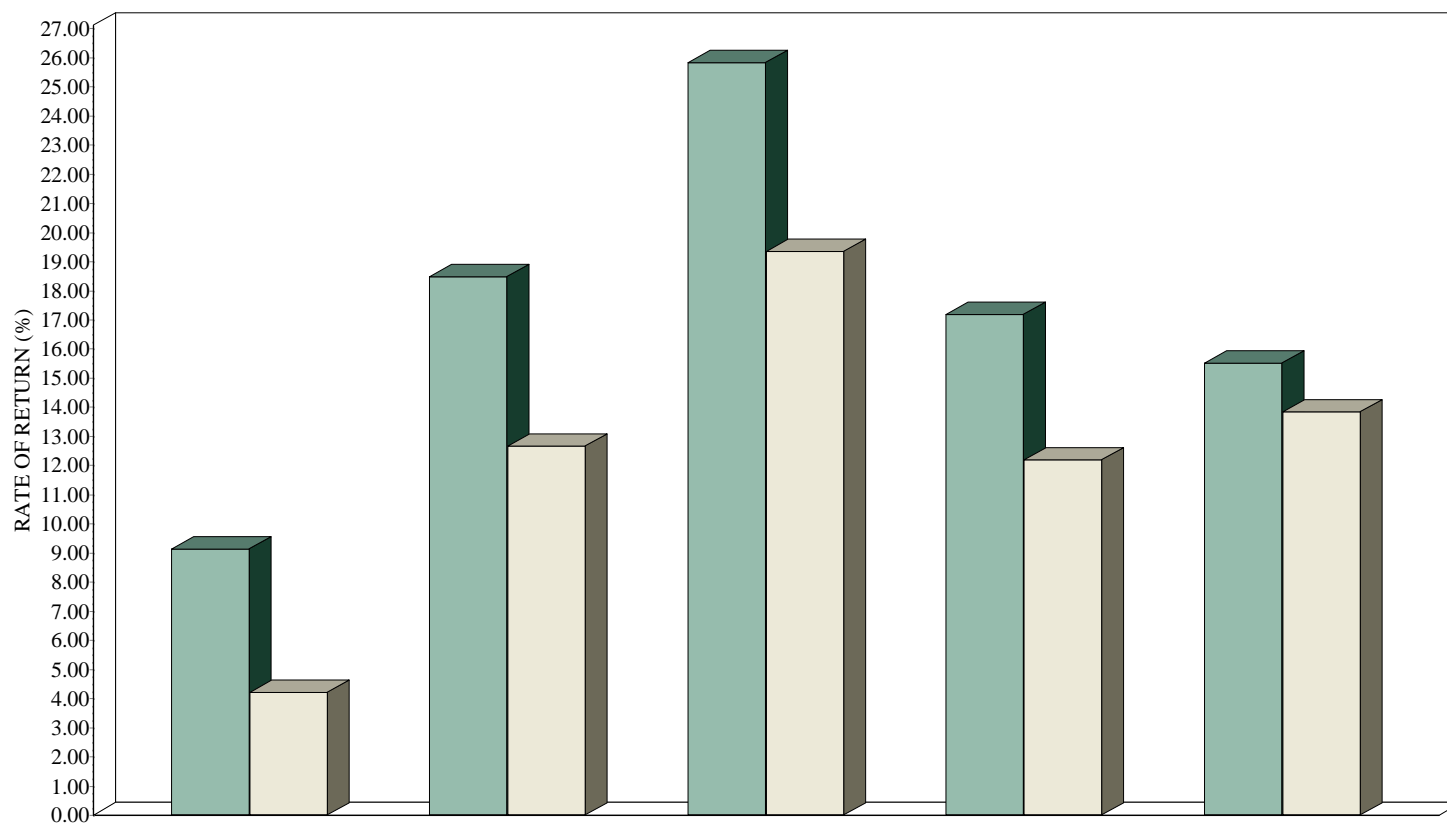
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
HIGHEST VALUE		3.22		11.84		20.30		15.30		17.70
FIRST QUARTILE		1.97		9.09		16.43		13.28		15.46
MEDIAN VALUE		1.70		8.72		15.91		12.78		15.01
THIRD QUARTILE		0.66		7.36		14.65		12.18		14.29
LOWEST VALUE		-1.97		3.91		10.35		9.88		12.24
MEAN		1.20		8.27		15.58		12.73		14.87
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
PRINCIPAL LARGE CAP	1.97	24	8.91	38	16.09	41	12.80	47	15.07	47
S&P 500	2.03	16	9.13	22	16.44	24	13.13	28	15.45	25

PRINCIPAL LARGE CAP STOCK INDEX
CAPITAL MARKET LINE - 5 YEARS



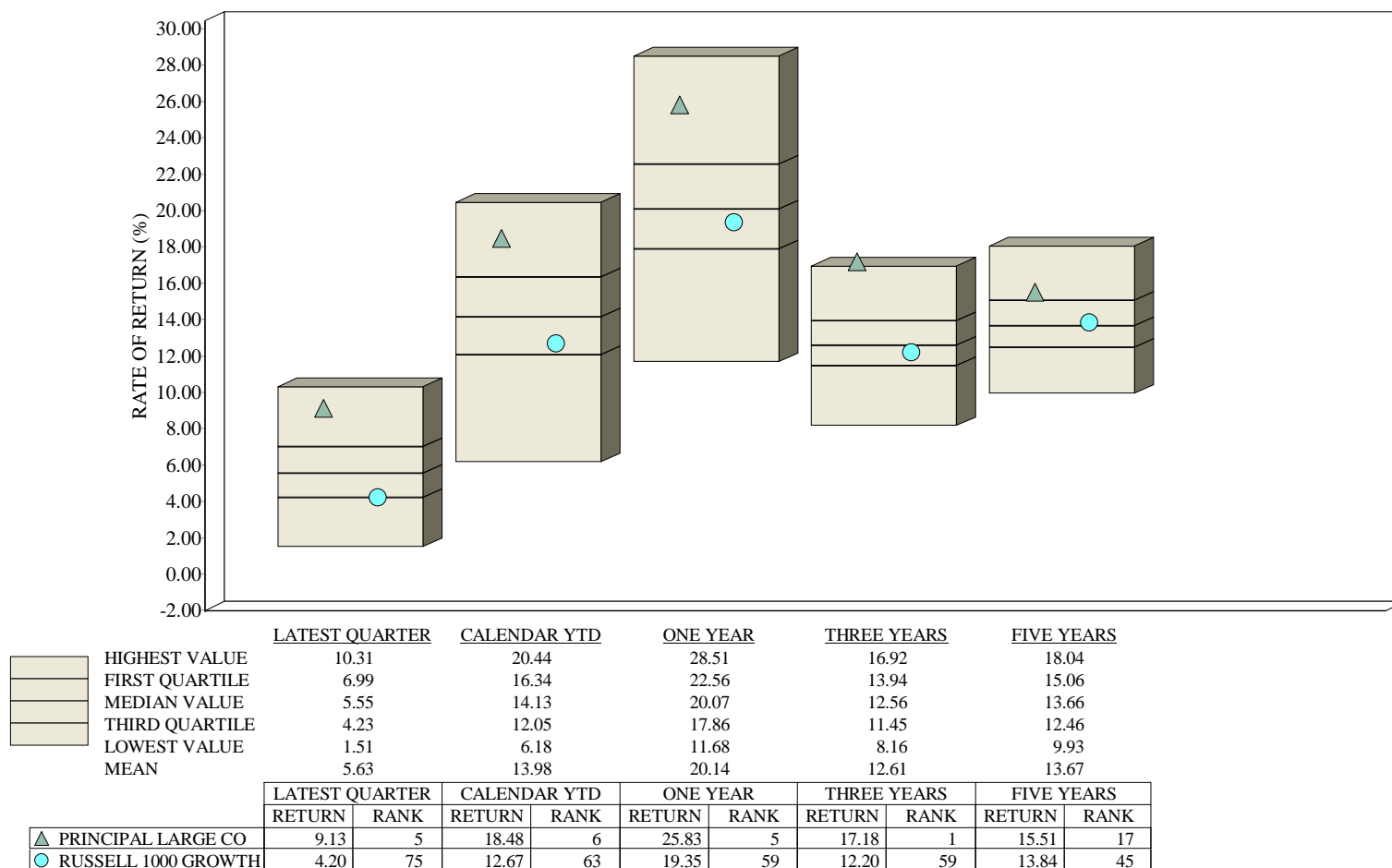
	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	15.07	9.45	1.00	-0.30	100.00
○ S&P 500	15.45	9.48	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LARGE COMPANY GROWTH
TIME-WEIGHTED RETURNS**

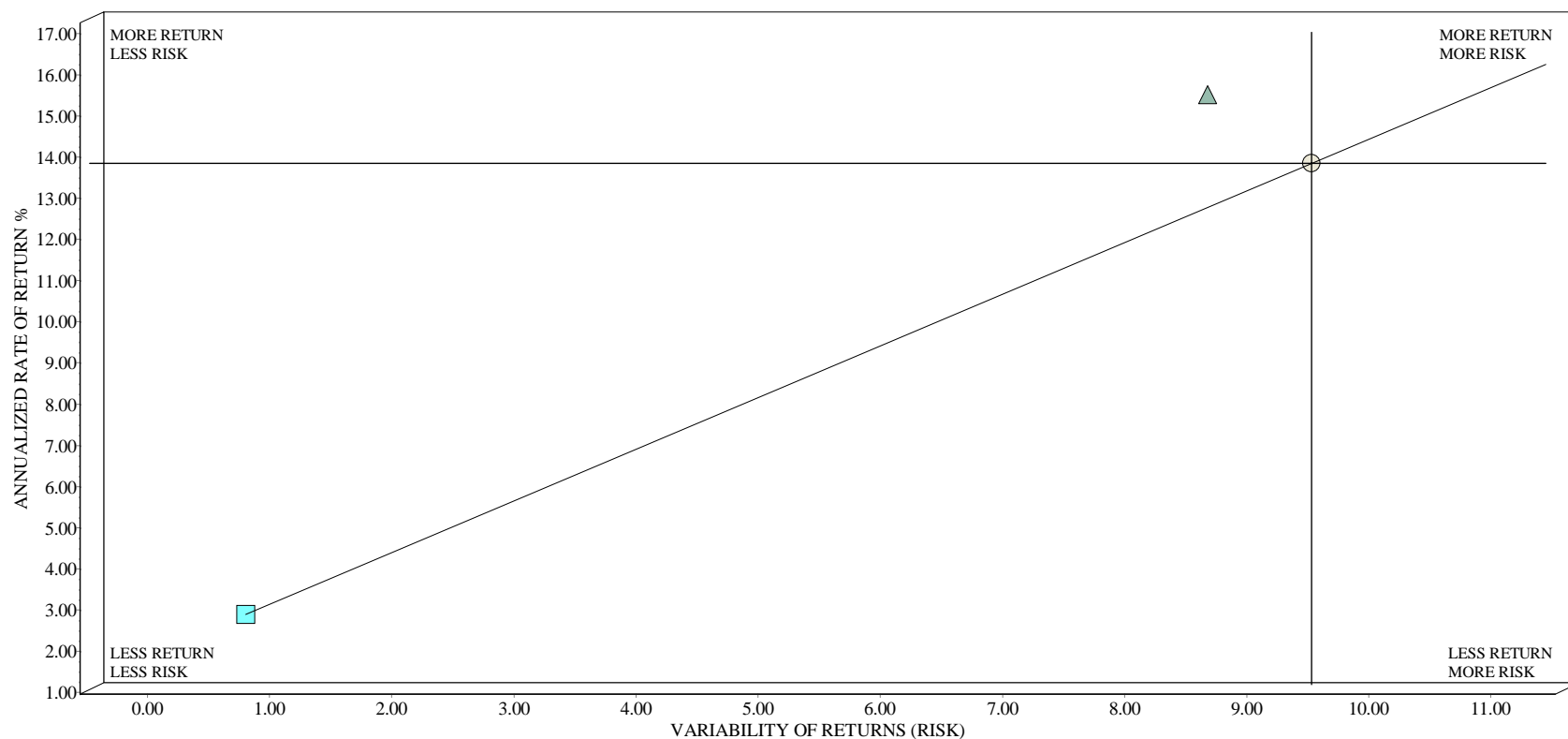


	LATEST QUARTER	CALENDAR YTD	ONE YEAR	THREE YEARS	FIVE YEARS
TOTAL FUND	9.13	18.48	25.83	17.18	15.51
RUSSELL 1000 GROWTH	4.20	12.67	19.35	12.20	13.84

QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S.A. LARGE CAP GROWTH MUTUAL FUND UNIVERSE

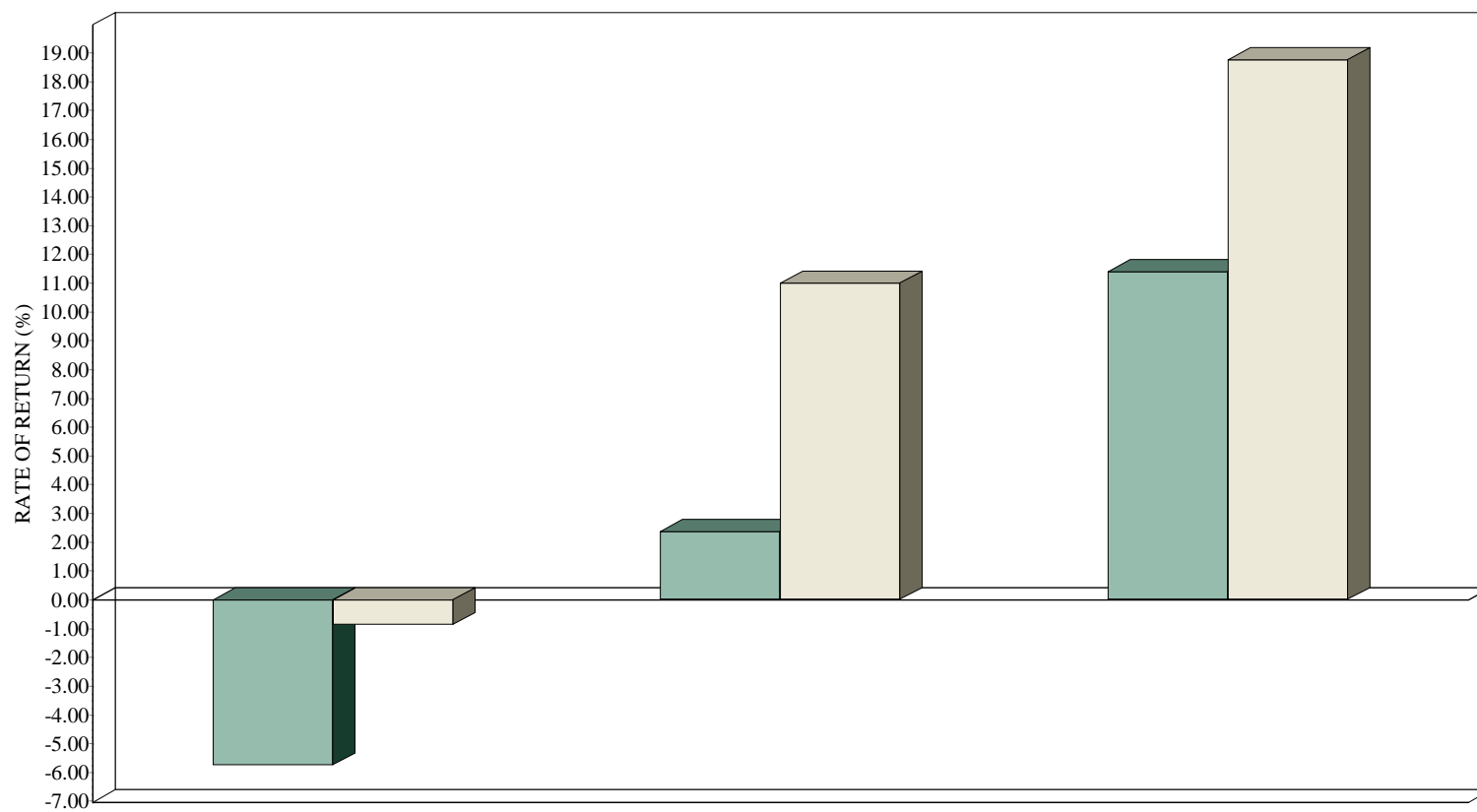


PRINCIPAL LARGE COMPANY GROWTH
CAPITAL MARKET LINE - 5 YEARS



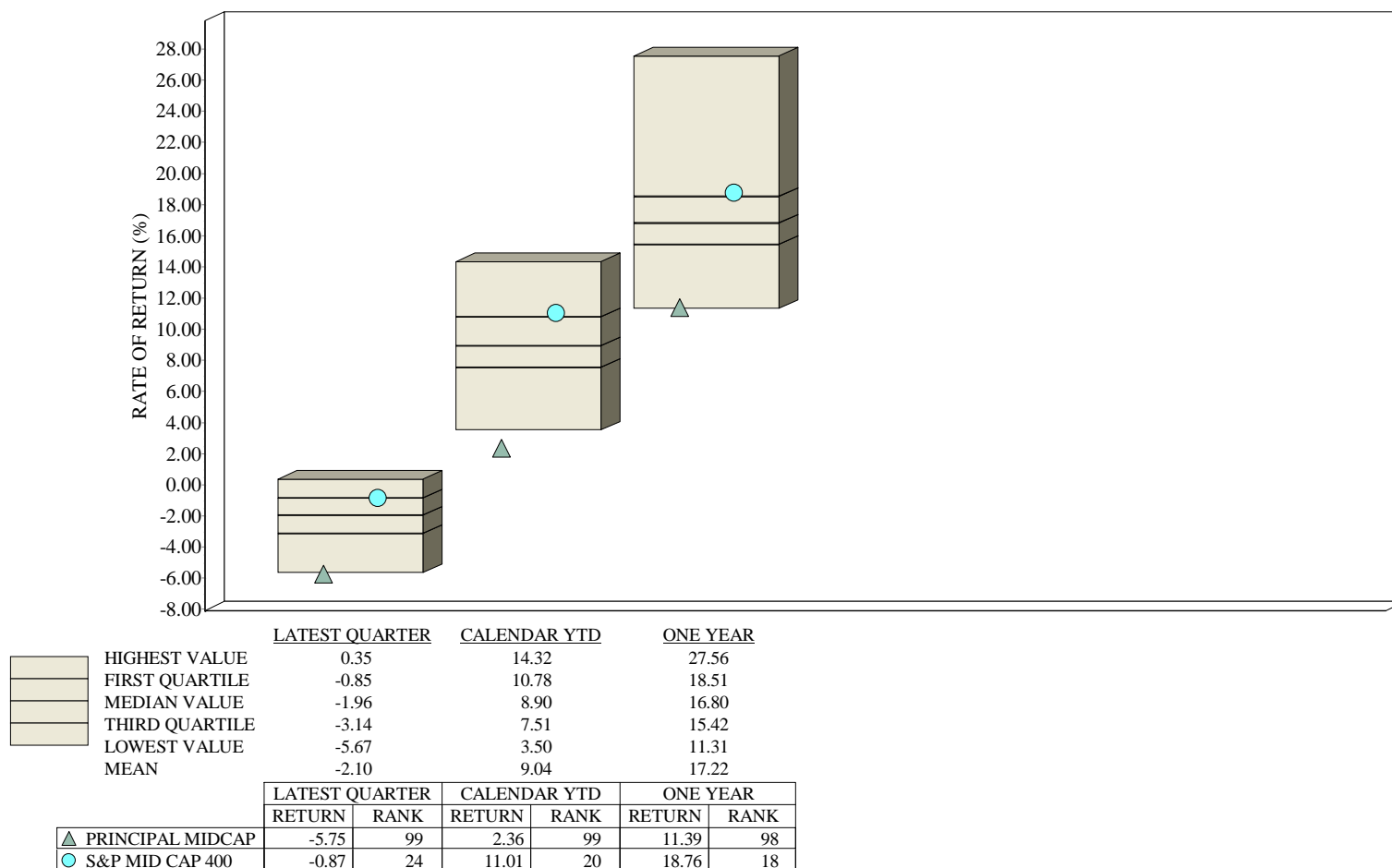
	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	15.51	8.68	0.78	3.75	75.55
○ RUSSELL 1000 GROWTH	13.84	9.53	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL MIDCAP STOCK FUND
TIME-WEIGHTED RETURNS**

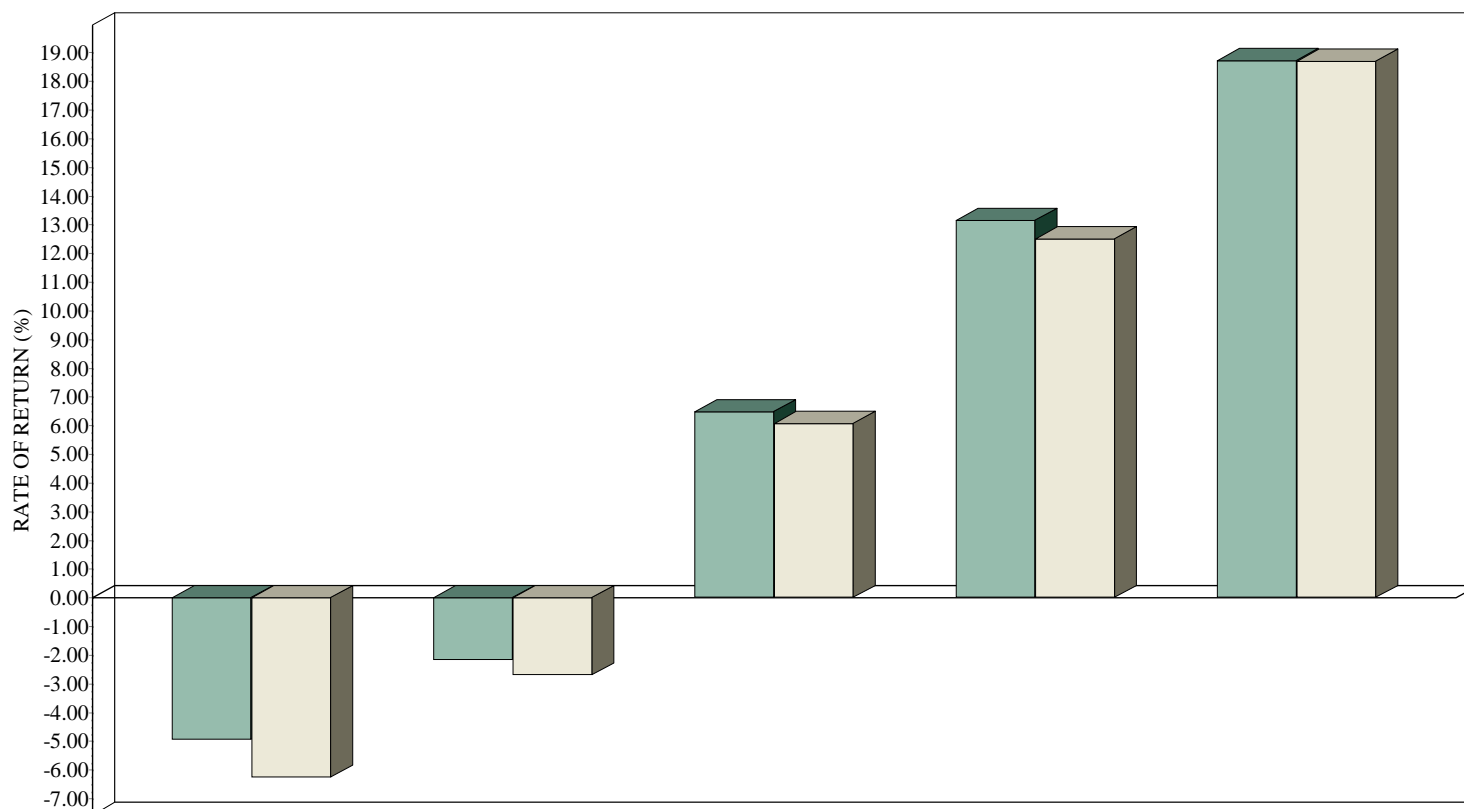


	LATEST QUARTER	CALENDAR YTD	ONE YEAR
TOTAL FUND	-5.75	2.36	11.39
S&P MID CAP 400	-0.87	11.01	18.76

QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S.A. MID CAP BLEND MUTUAL FUND UNIVERSE

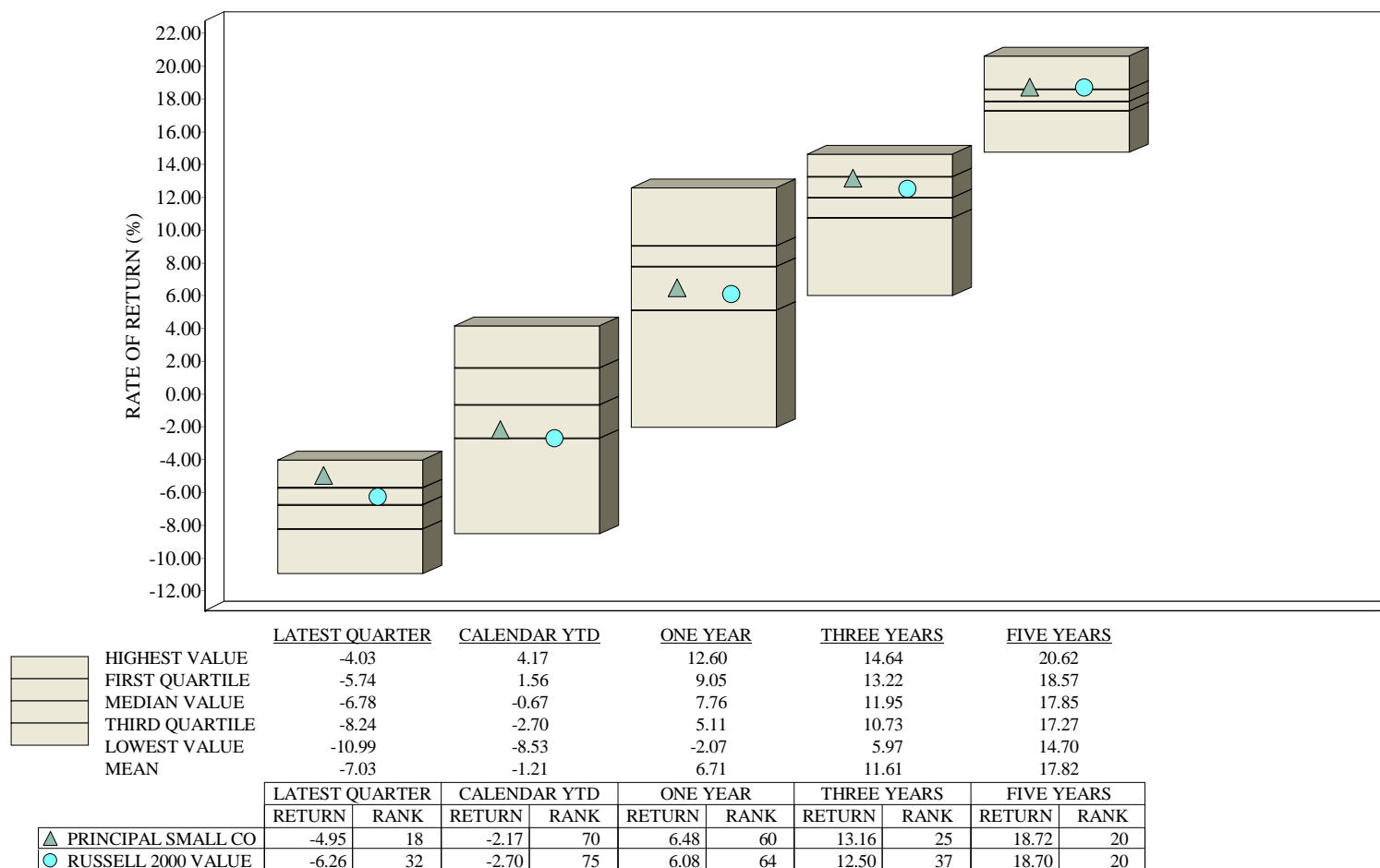


**PRINCIPAL SMALL COMPANY VALUE
TIME-WEIGHTED RETURNS**

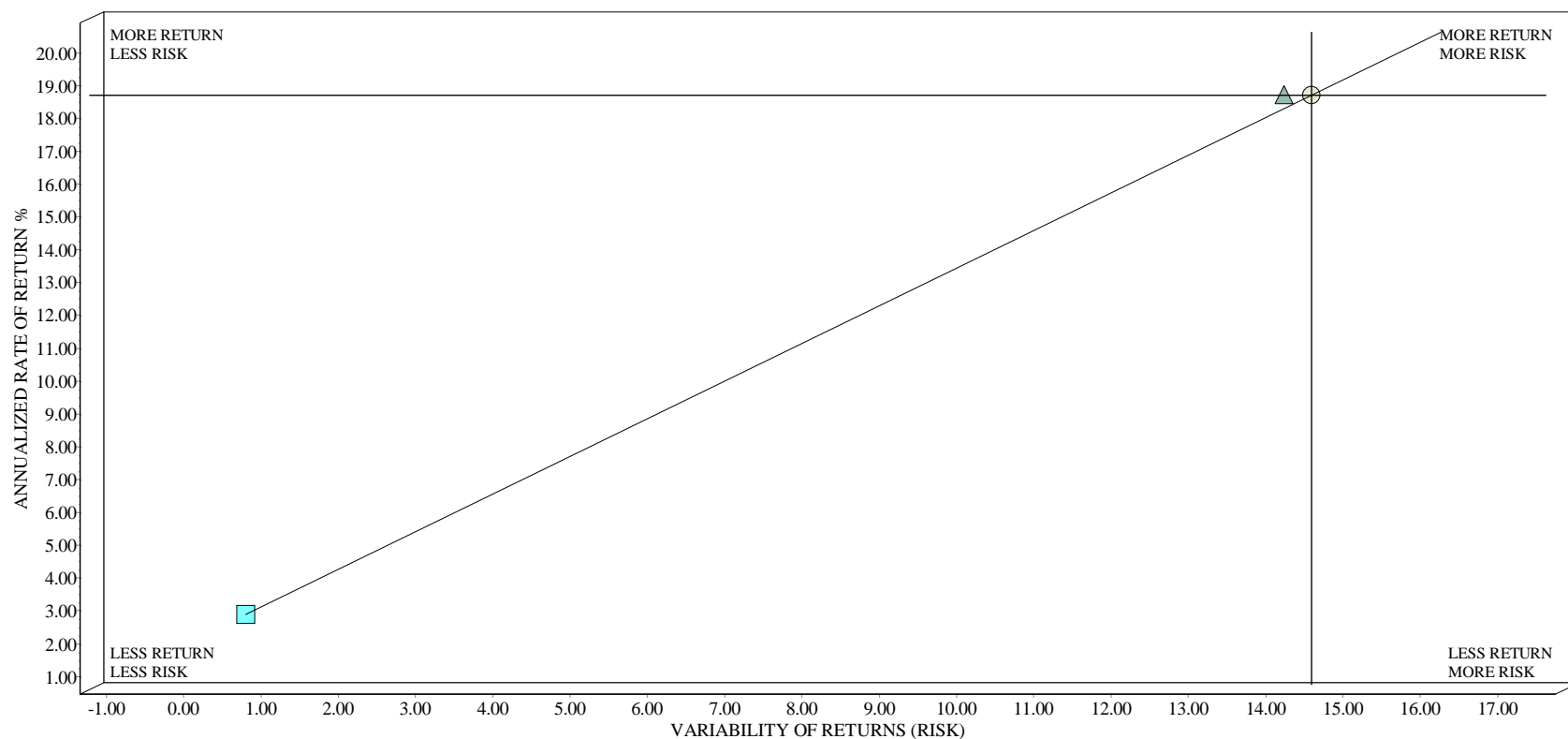


	LATEST QUARTER	CALENDAR YTD	ONE YEAR	THREE YEARS	FIVE YEARS
TOTAL FUND	-4.95	-2.17	6.48	13.16	18.72
RUSSELL 2000 VALUE	-6.26	-2.70	6.08	12.50	18.70

QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S.A. SMALL CAP VALUE MUTUAL FUND UNIVERSE

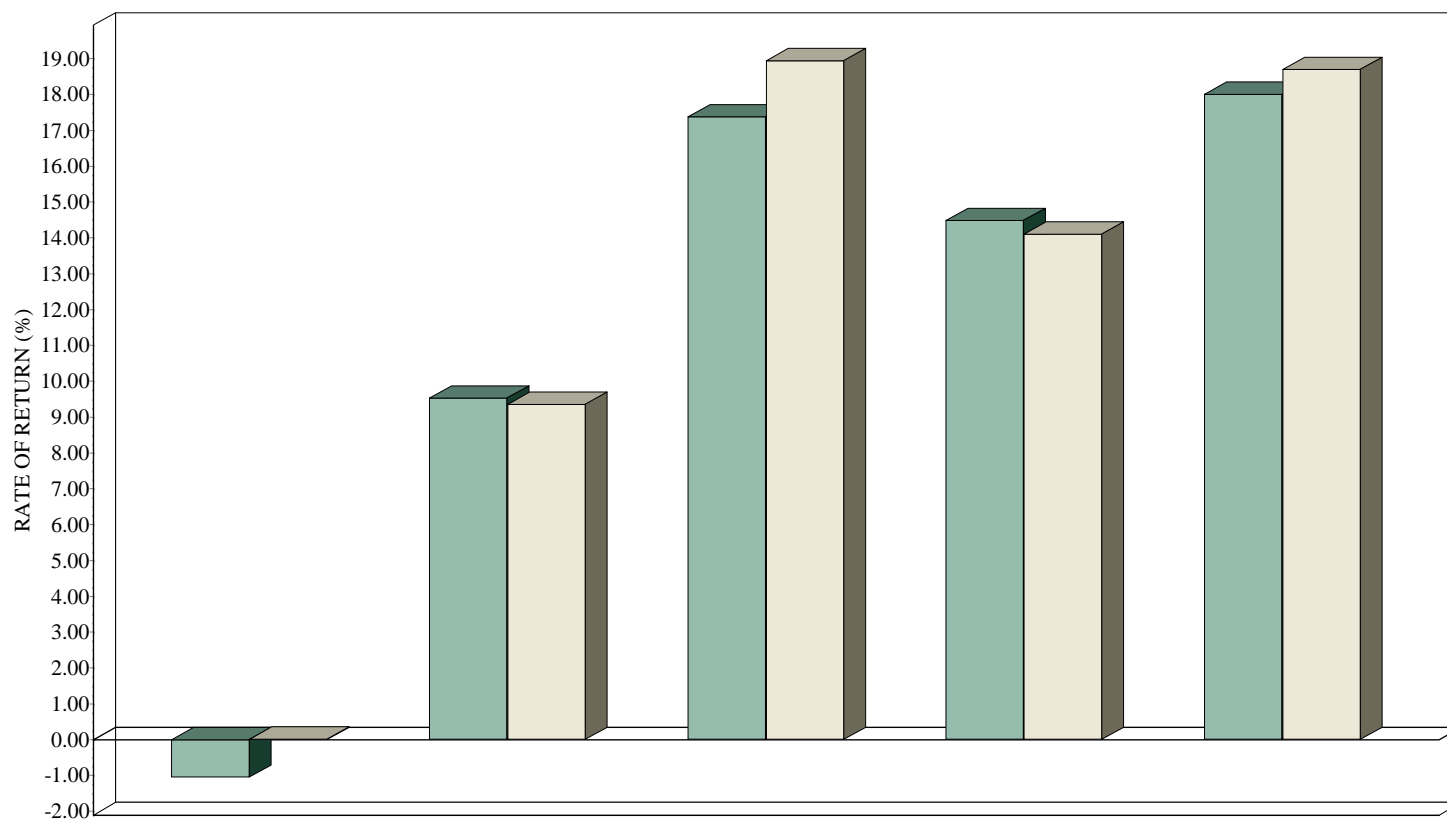


PRINCIPAL SMALL COMPANY VALUE
CAPITAL MARKET LINE - 5 YEARS



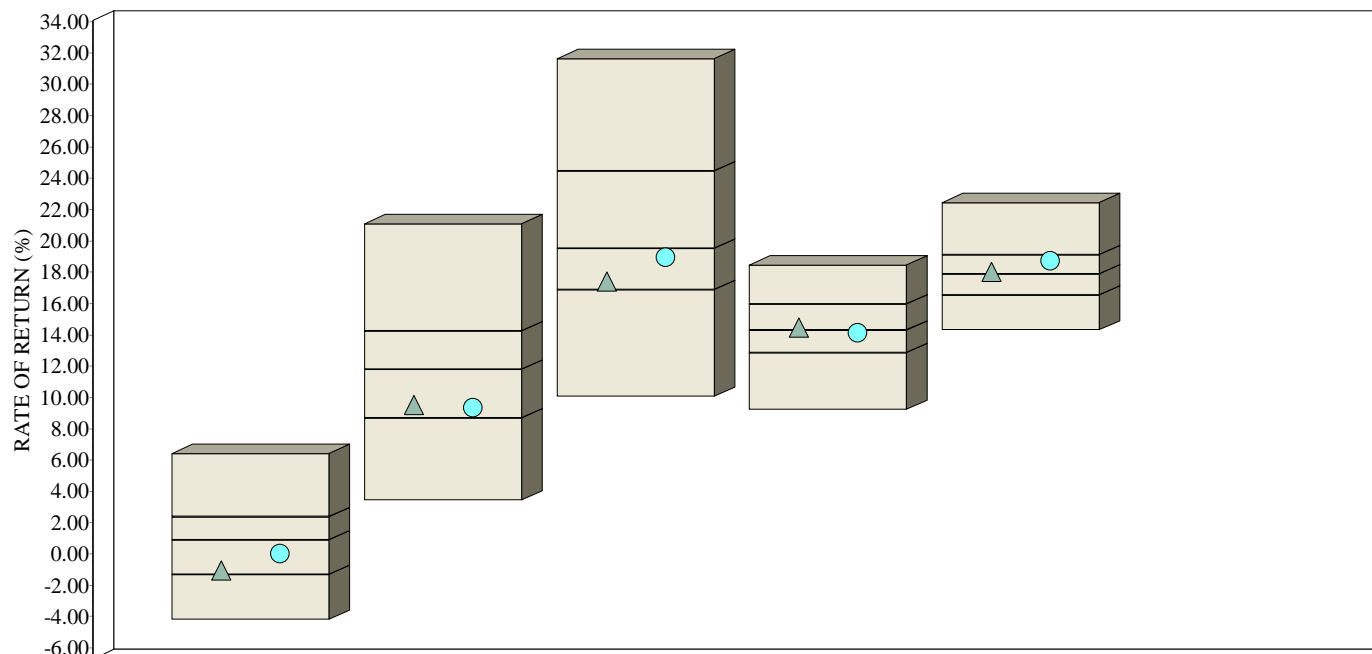
	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	18.72	14.24	0.96	0.63	96.07
○ RUSSELL 2000 VALUE	18.70	14.59	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**VANGUARD EXPLORER
TIME-WEIGHTED RETURNS**



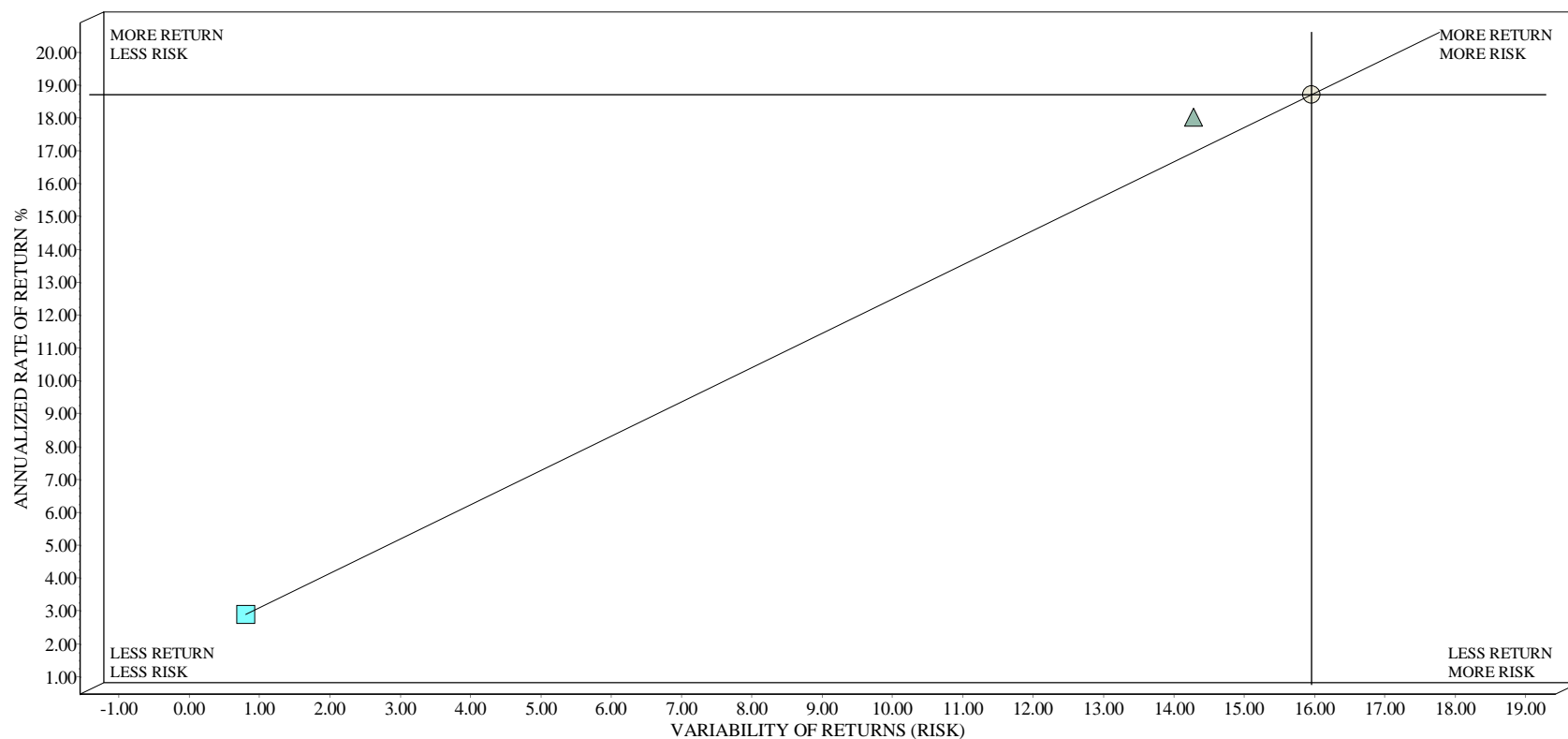
	LATEST QUARTER	CALENDAR YTD	ONE YEAR	THREE YEARS	FIVE YEARS
TOTAL FUND	-1.06	9.52	17.38	14.48	18.01
RUSSELL 2000 GROWTH	0.02	9.35	18.94	14.11	18.70

QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S.A. SMALL CAP GROWTH MUTUAL FUND UNIVERSE



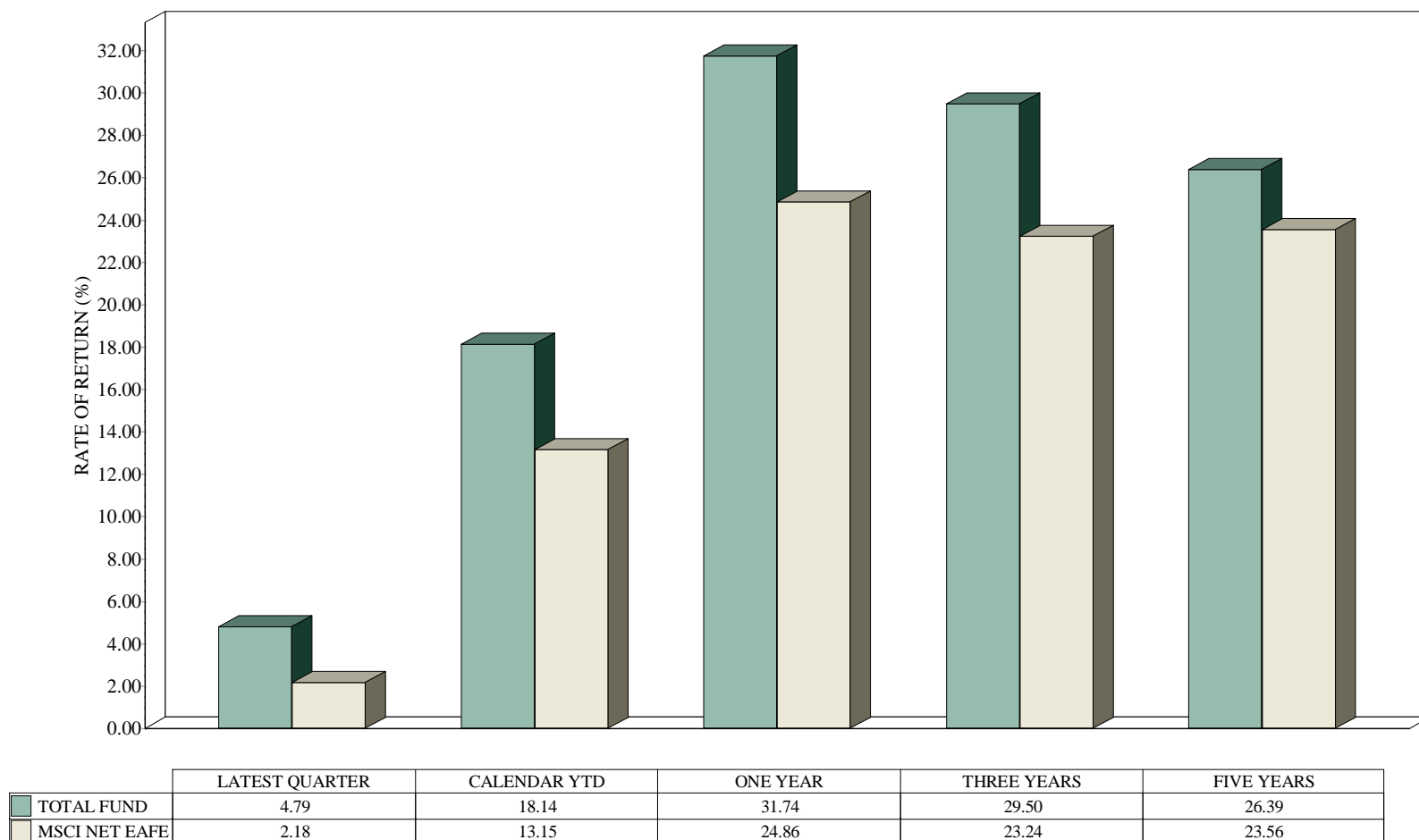
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
HIGHEST VALUE		6.39		21.06		31.64		18.45		22.45
FIRST QUARTILE		2.38		14.23		24.47		15.94		19.12
MEDIAN VALUE		0.86		11.80		19.50		14.30		17.90
THIRD QUARTILE		-1.30		8.67		16.89		12.85		16.54
LOWEST VALUE		-4.20		3.40		10.03		9.22		14.28
MEAN		0.82		11.62		20.47		14.38		17.95
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ VANGUARD EXPLORER	-1.06	69	9.52	67	17.38	69	14.48	46	18.01	45
● RUSSELL 2000 GROWTH	0.02	62	9.35	67	18.94	55	14.11	52	18.70	31

VANGUARD EXPLORER
CAPITAL MARKET LINE - 5 YEARS

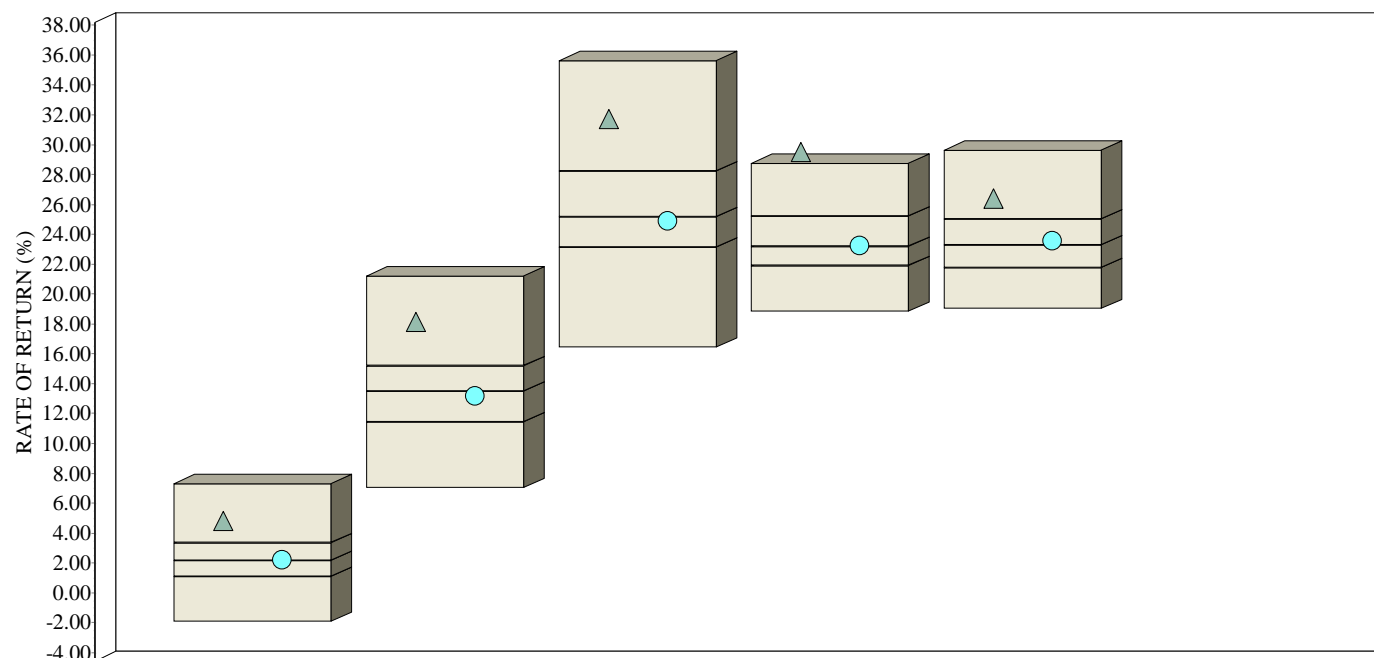


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	18.01	14.28	0.89	0.94	97.86
○ RUSSELL 2000 GROWTH	18.70	15.96	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL INTERNATIONAL STOCK
TIME-WEIGHTED RETURNS**



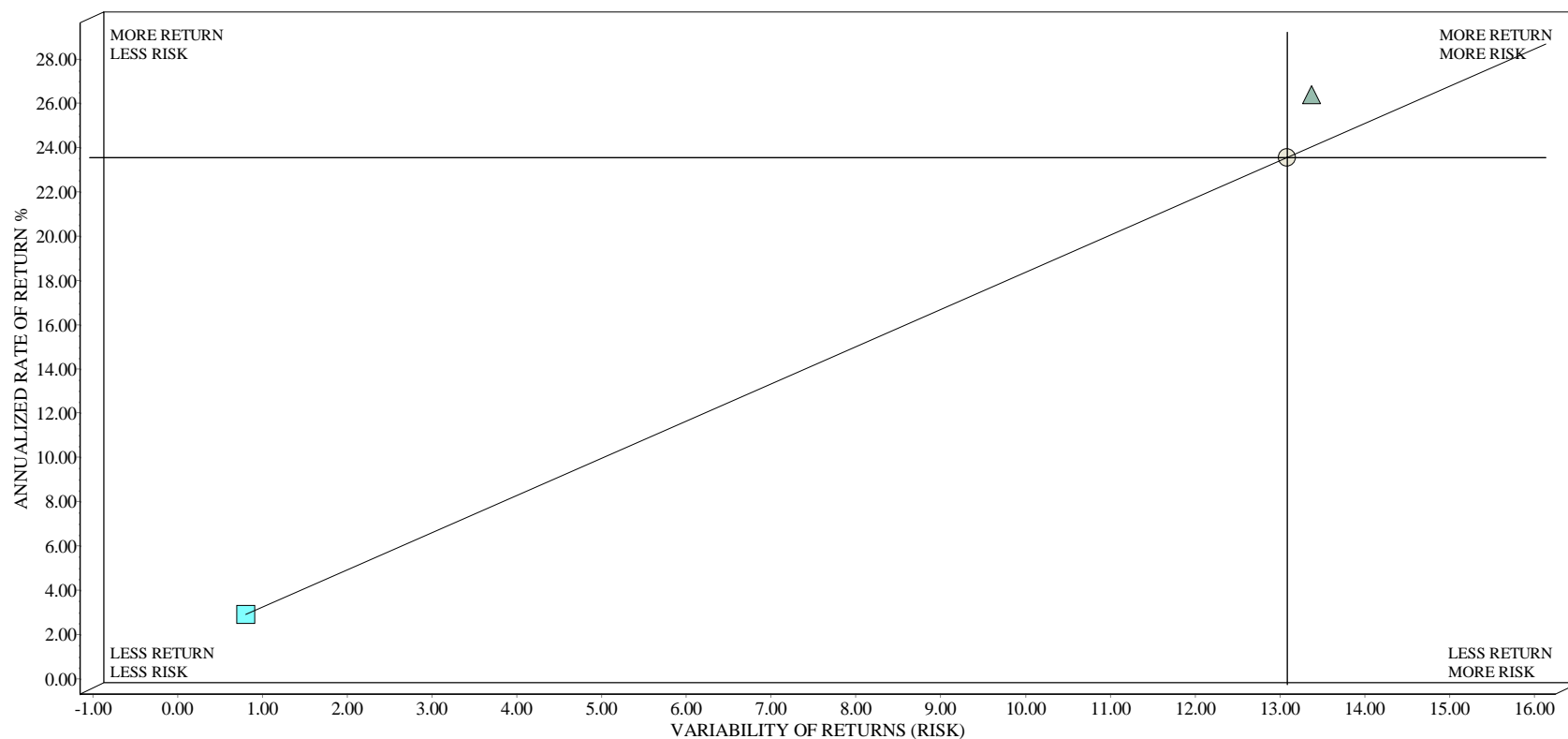
QUARTILE RANKING ANALYSIS
TOTAL FUND AGAINST S.A. FOREIGN EQUITY MUTUAL FUND UNIVERSE



	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
HIGHEST VALUE		7.29		21.22		35.63		28.73		29.59
FIRST QUARTILE		3.34		15.18		28.25		25.19		25.04
MEDIAN VALUE		2.14		13.51		25.16		23.18		23.28
THIRD QUARTILE		1.08		11.43		23.14		21.90		21.73
LOWEST VALUE		-1.94		7.01		16.42		18.83		19.01
MEAN		2.20		13.62		25.52		23.41		23.49

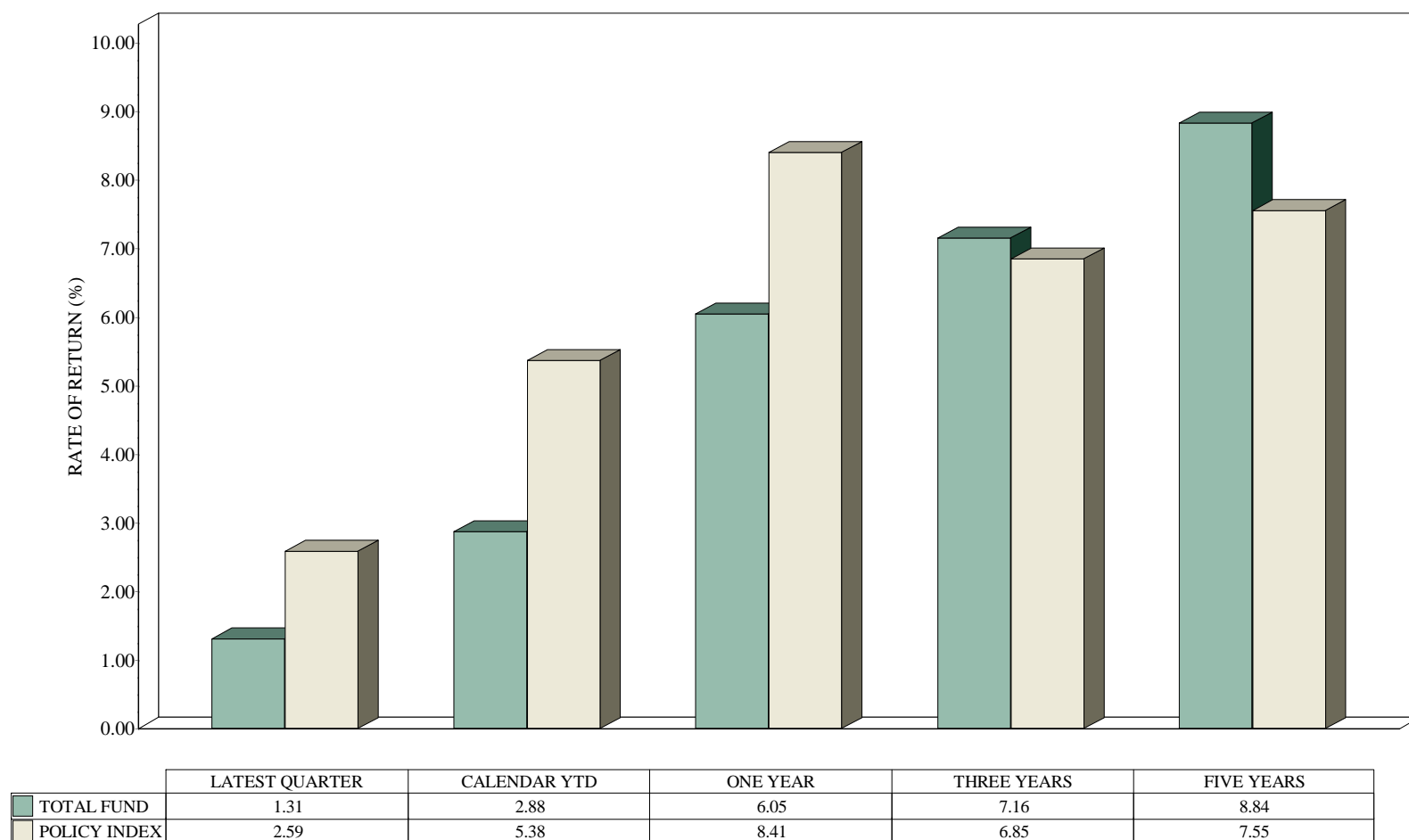
	LATEST QUARTER		CALENDAR YTD		ONE YEAR		THREE YEARS		FIVE YEARS	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL INTL STOCK	4.79	9	18.14	8	31.74	8	29.50	1	26.39	12
● MSCI NET EAFE	2.18	49	13.15	55	24.86	55	23.24	46	23.56	45

PRINCIPAL INTERNATIONAL STOCK
CAPITAL MARKET LINE - 5 YEARS

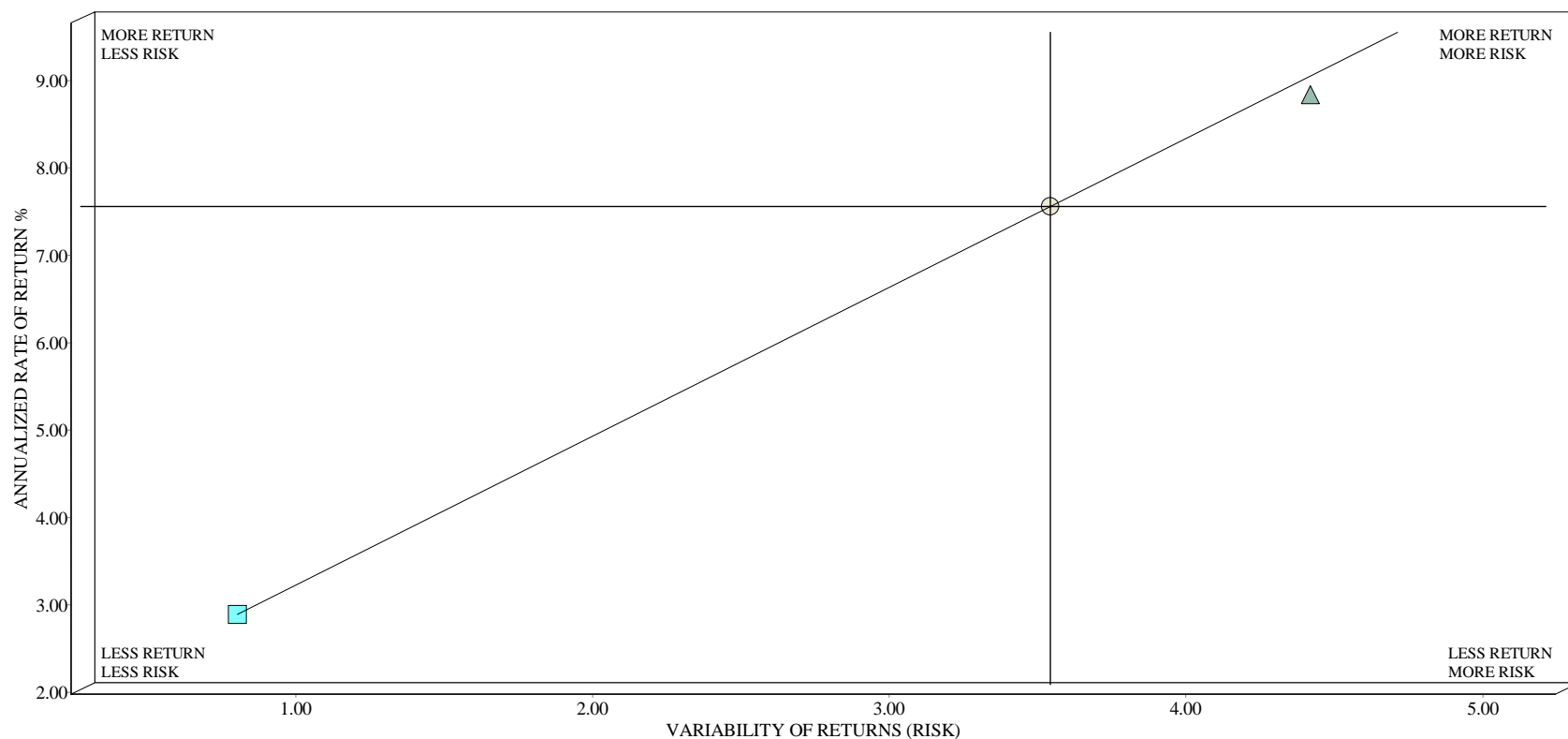


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	26.39	13.37	0.98	2.85	92.99
○ MSCI NET EAFE	23.56	13.09	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LIFETIME STRATEGIC INCOME
TIME-WEIGHTED RETURNS**

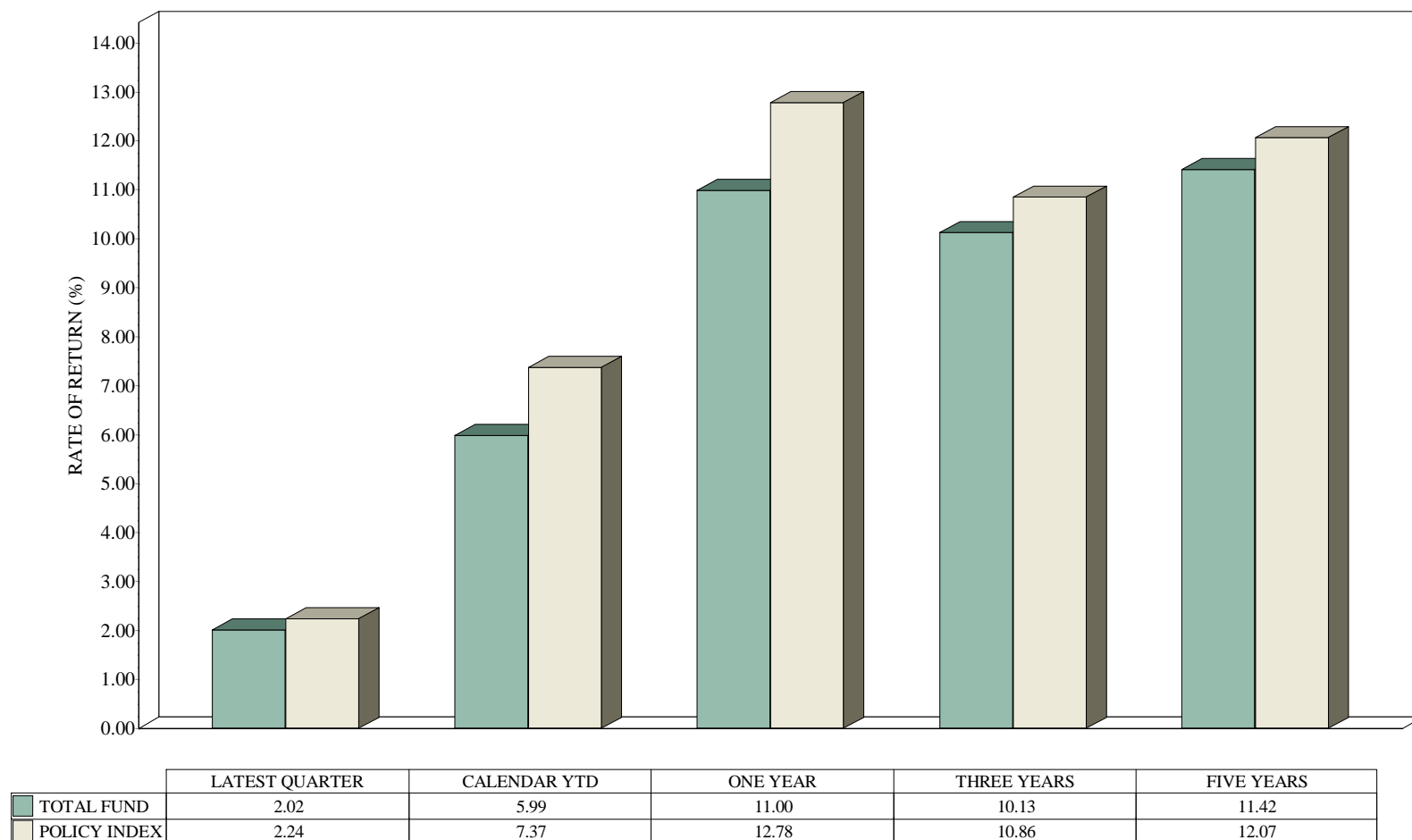


PRINCIPAL LIFETIME STRATEGIC INCOME
CAPITAL MARKET LINE - 5 YEARS

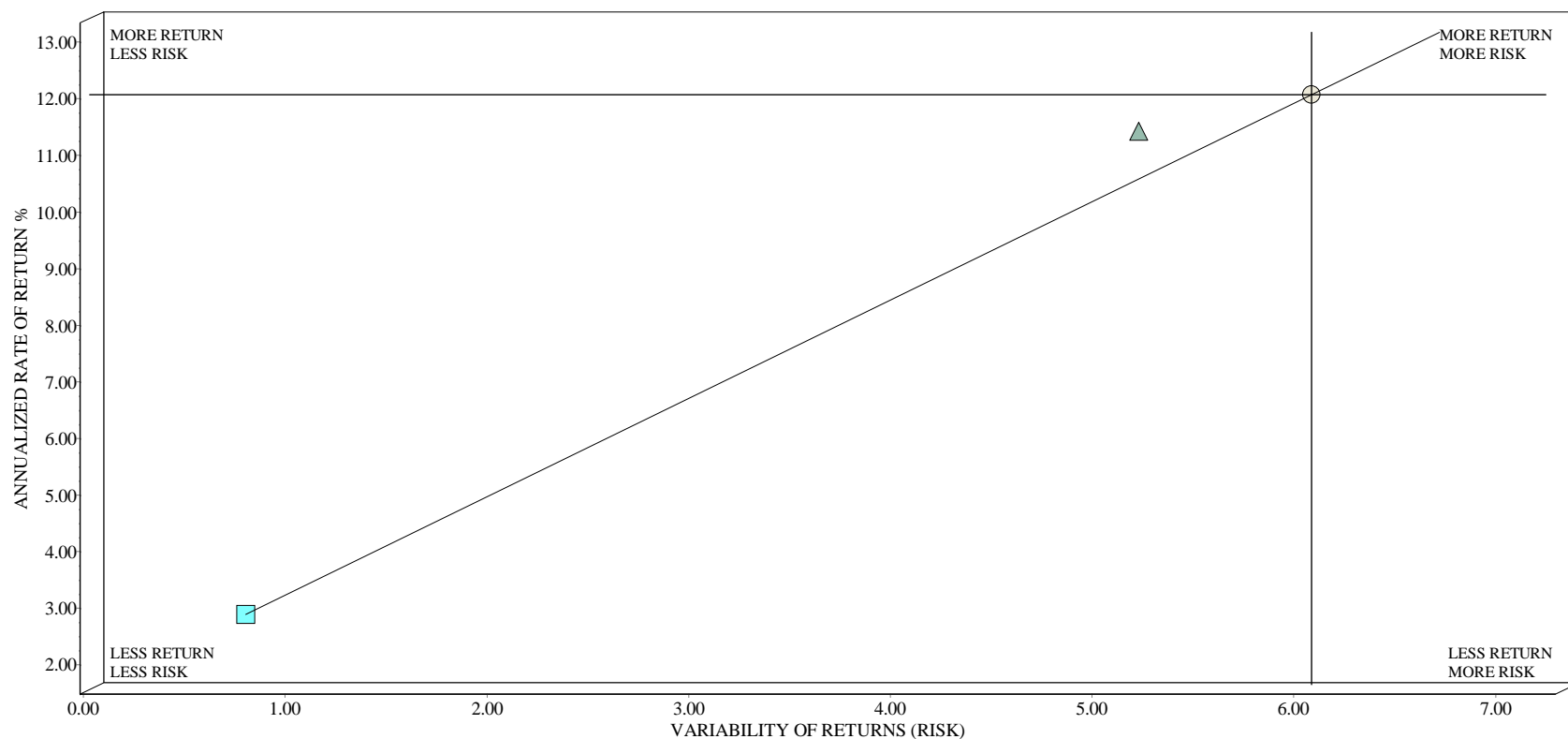


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	8.84	4.42	1.18	0.44	86.54
○ POLICY INDEX	7.55	3.54	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LIFETIME 2010
TIME-WEIGHTED RETURNS**

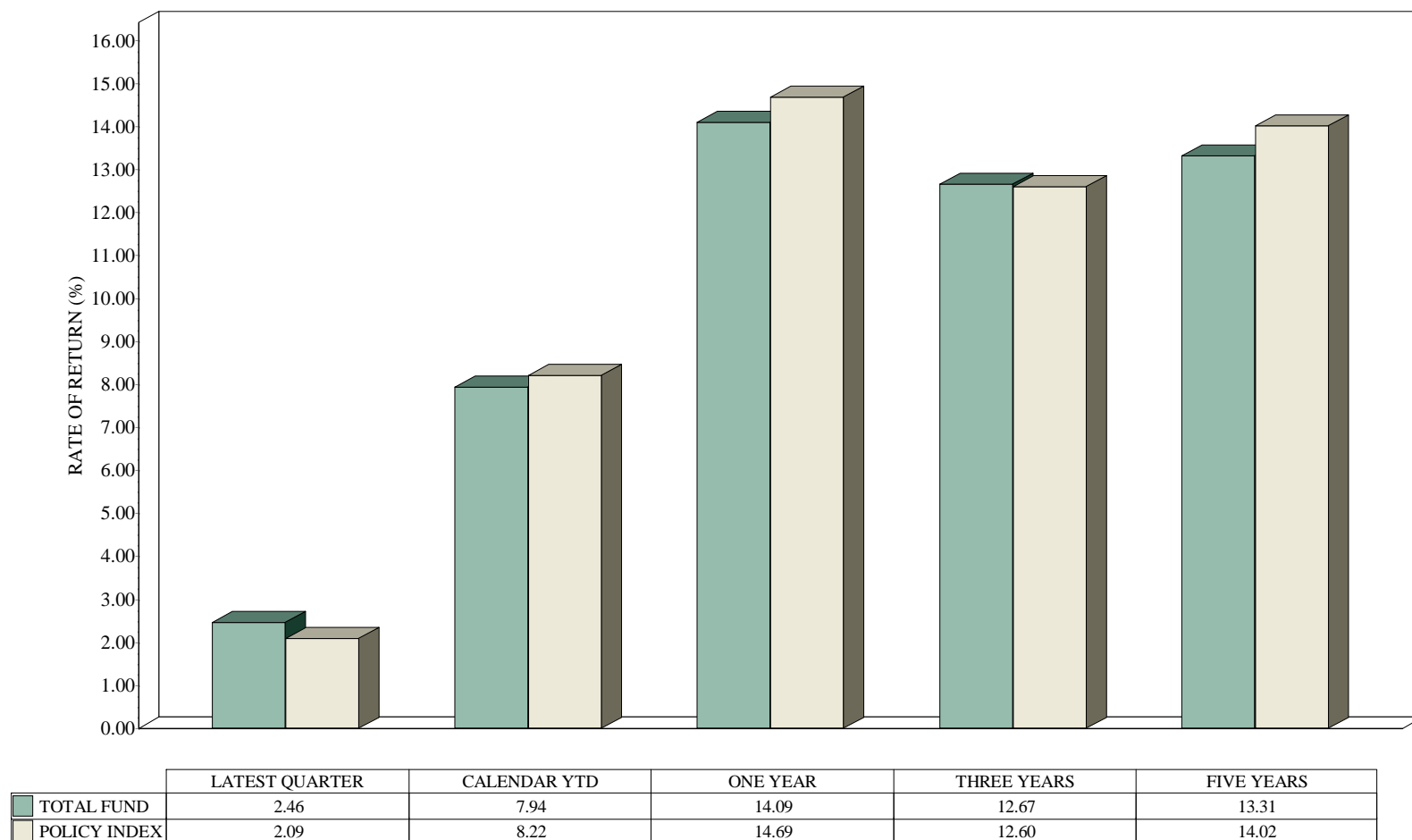


PRINCIPAL LIFETIME 2010
CAPITAL MARKET LINE - 5 YEARS

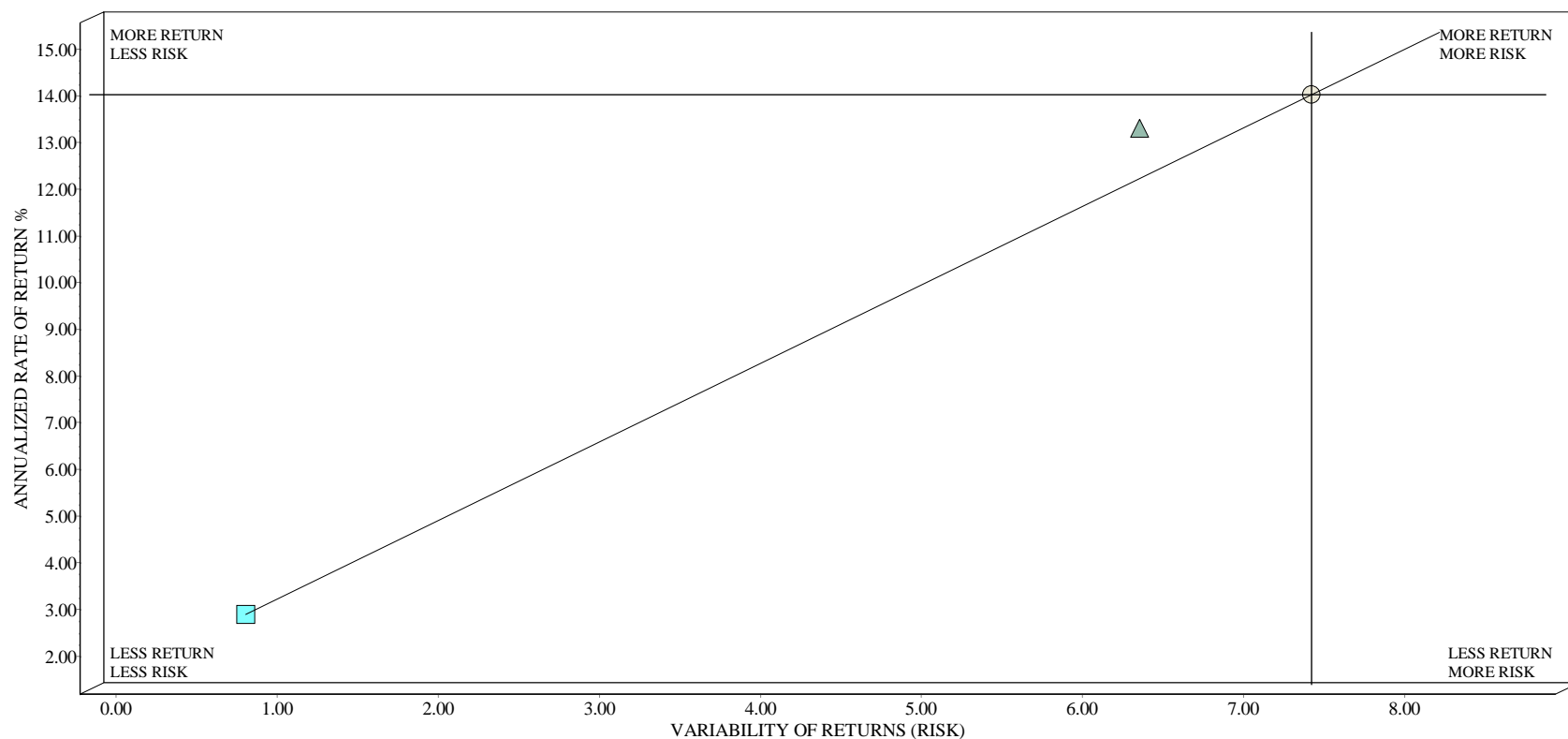


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	11.42	5.23	0.84	0.80	92.91
○ POLICY INDEX	12.07	6.09	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LIFETIME 2020
TIME-WEIGHTED RETURNS**

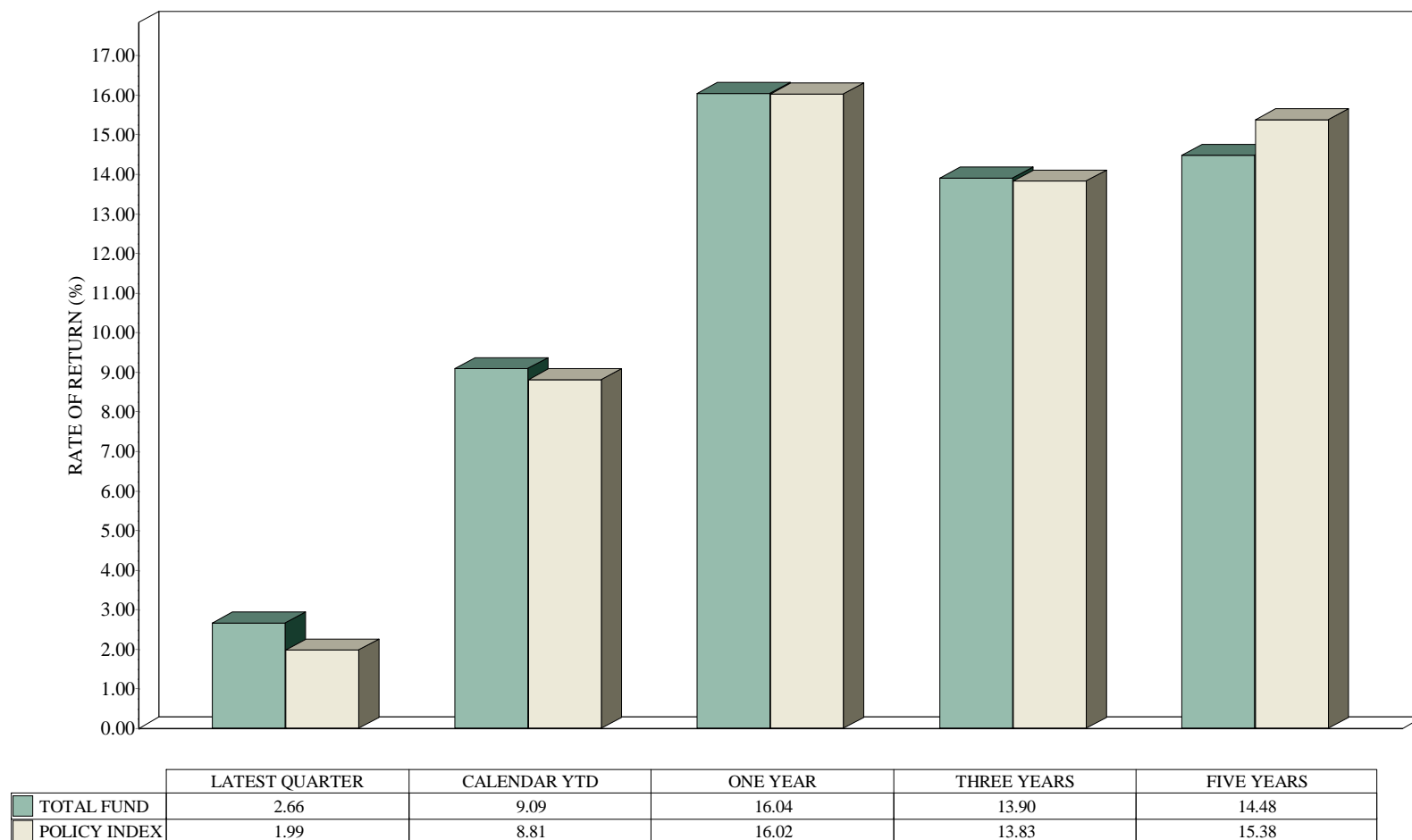


PRINCIPAL LIFETIME 2020
CAPITAL MARKET LINE - 5 YEARS

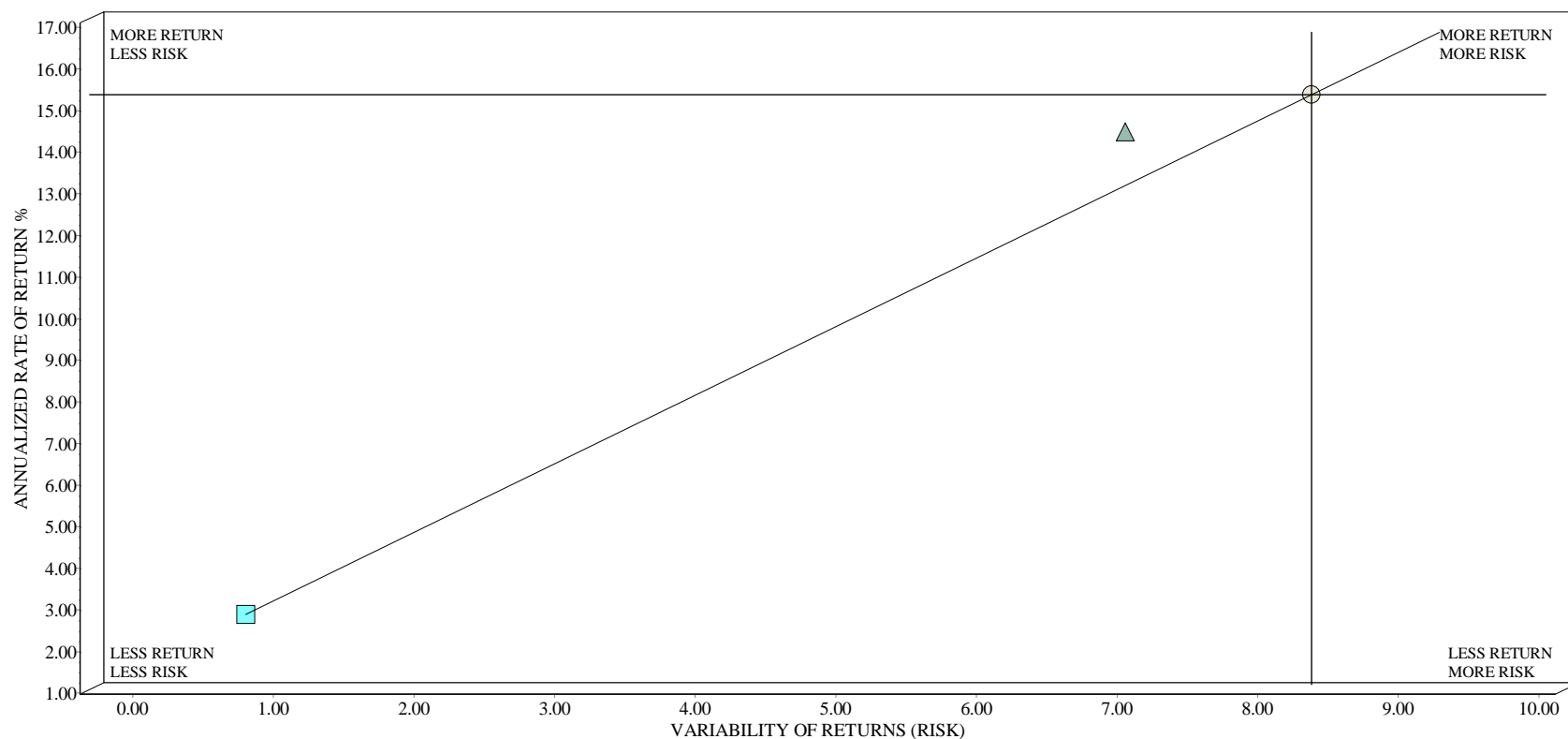


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	13.31	6.35	0.83	1.13	93.36
○ POLICY INDEX	14.02	7.42	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LIFETIME 2030
TIME-WEIGHTED RETURNS**

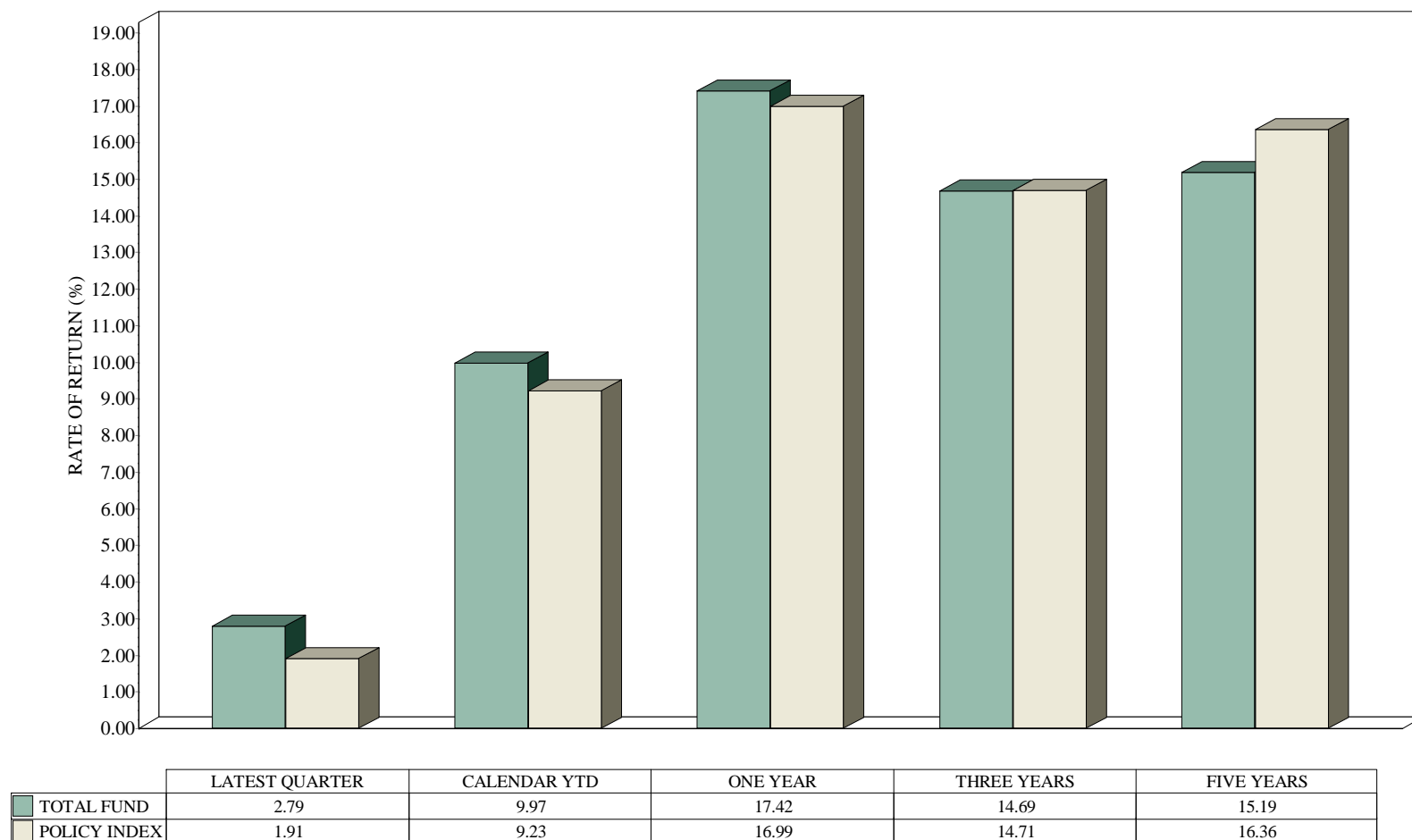


PRINCIPAL LIFETIME 2030
CAPITAL MARKET LINE - 5 YEARS

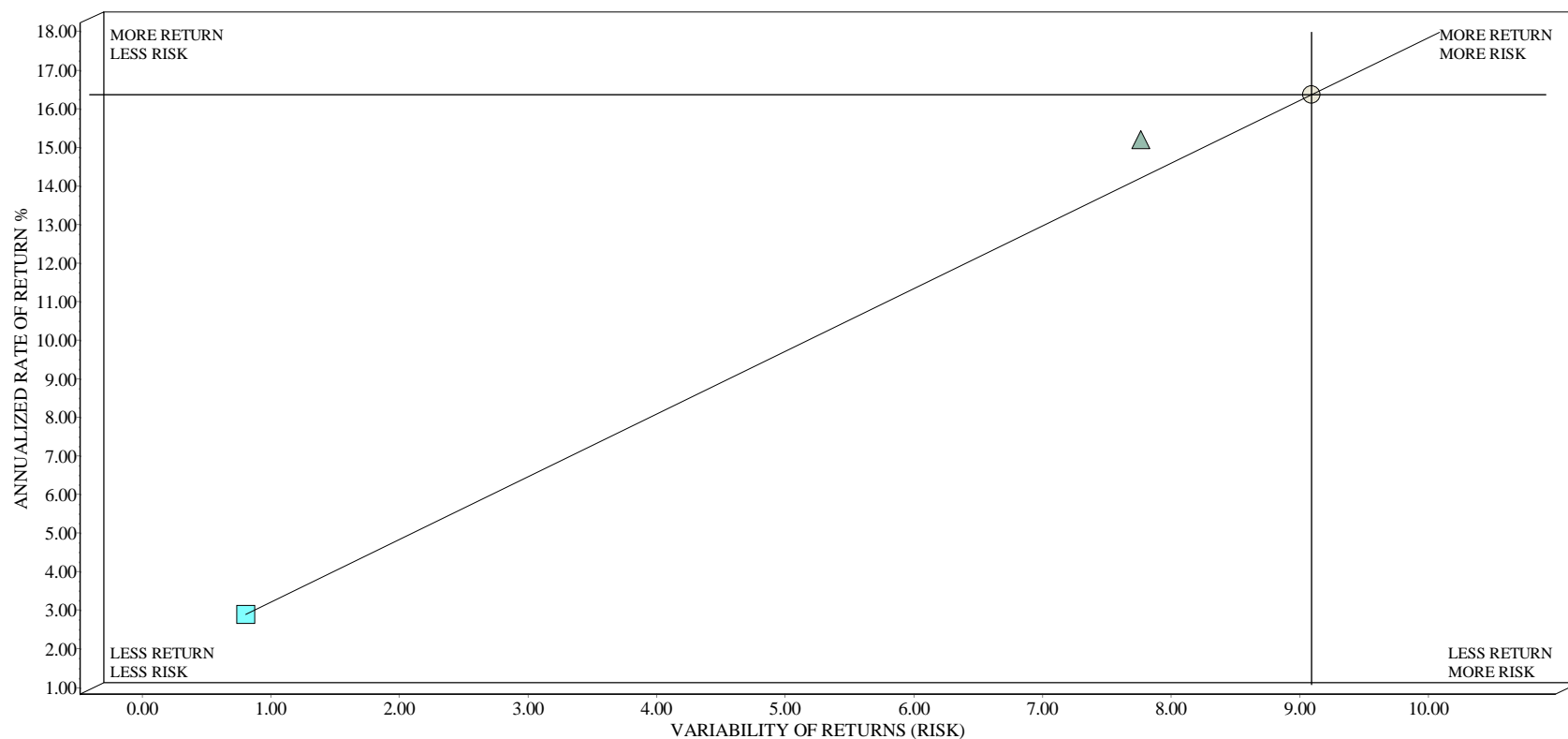


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	14.48	7.06	0.82	1.23	95.52
○ POLICY INDEX	15.38	8.38	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LIFETIME 2040
TIME-WEIGHTED RETURNS**

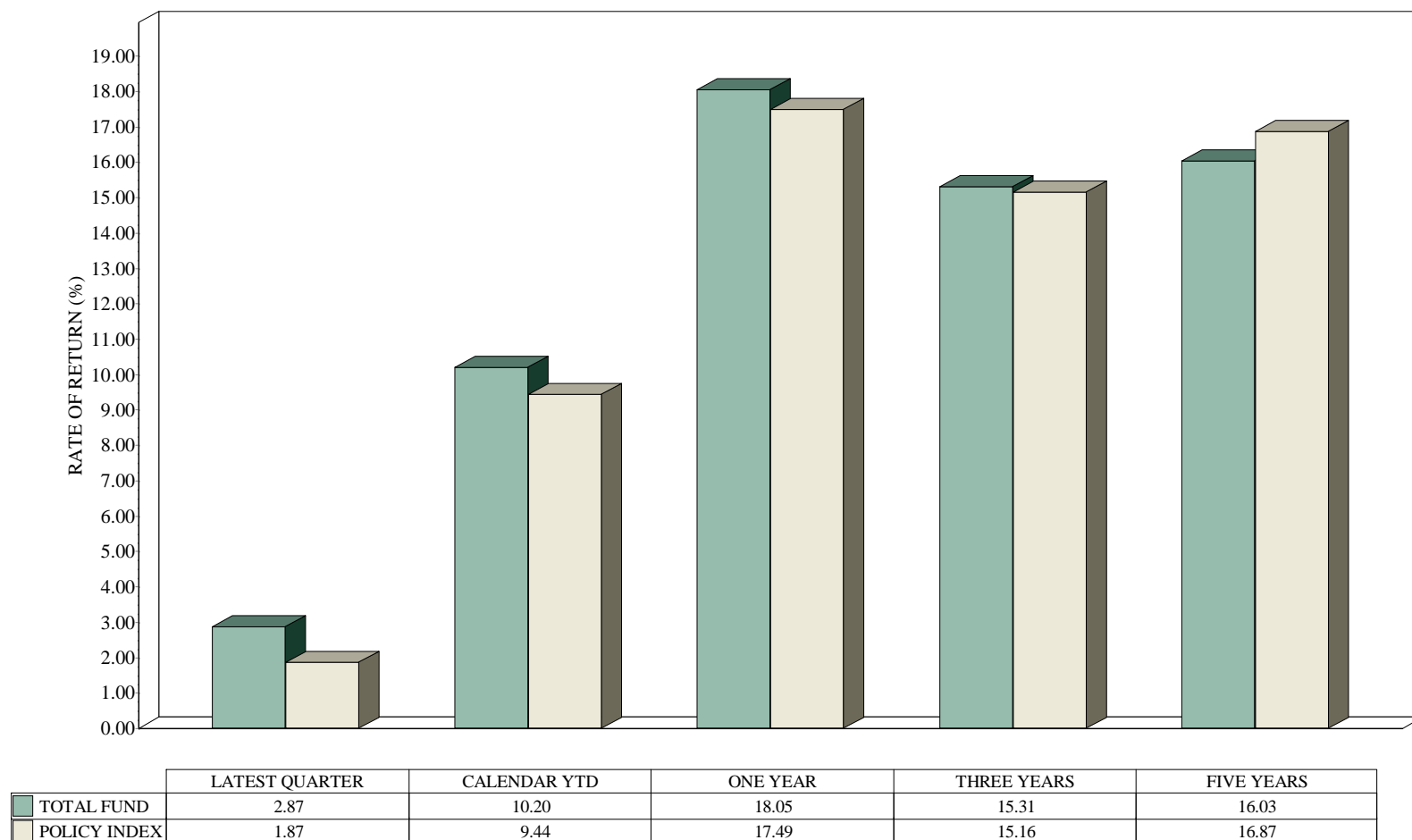


PRINCIPAL LIFETIME 2040
CAPITAL MARKET LINE - 5 YEARS

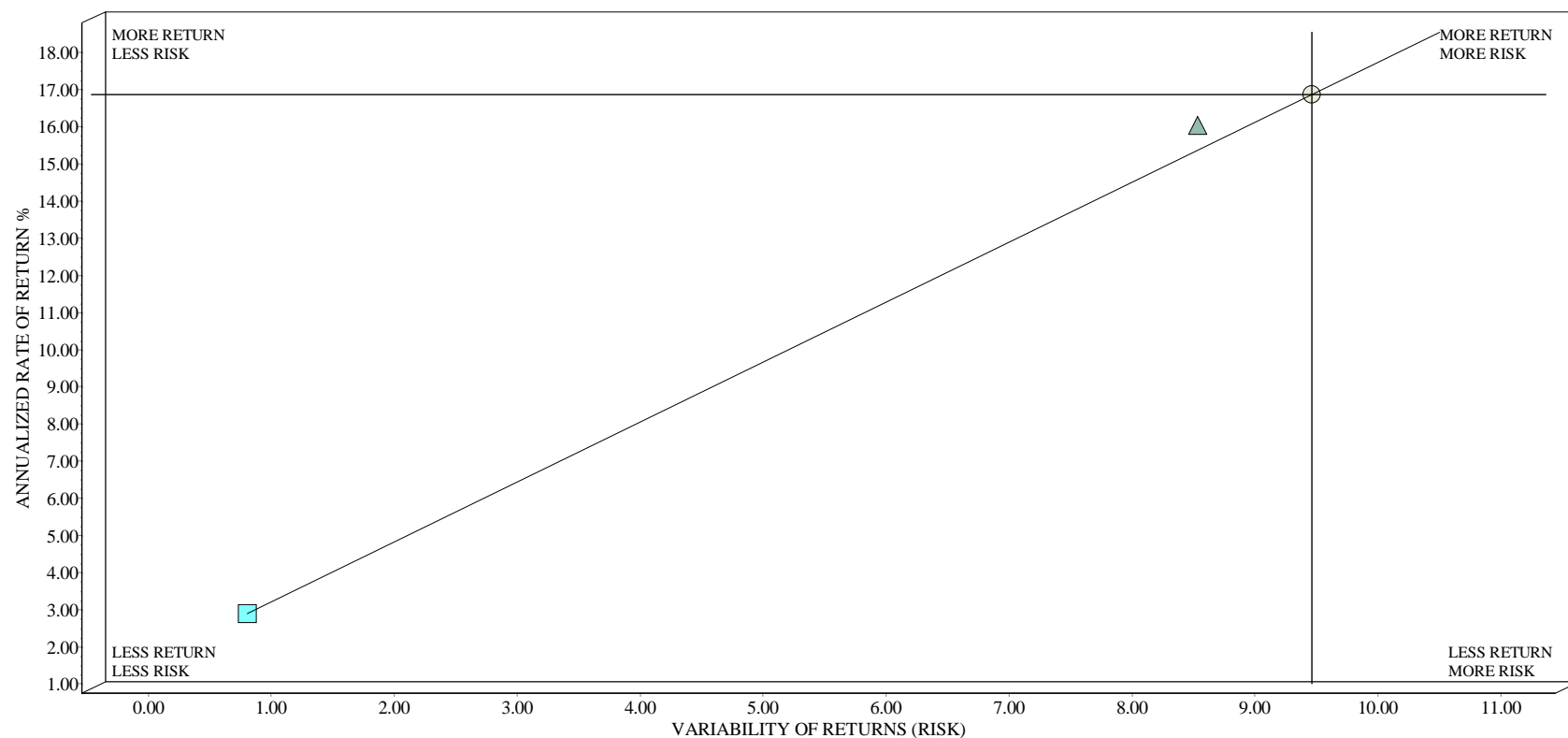


	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	15.19	7.76	0.84	0.90	97.46
○ POLICY INDEX	16.36	9.09	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

**PRINCIPAL LIFETIME 2050
TIME-WEIGHTED RETURNS**



PRINCIPAL LIFETIME 2050
CAPITAL MARKET LINE - 5 YEARS



	RETURN	STD DEV	BETA	ALPHA	R-SQUARED
▲ TOTAL FUND	16.03	8.53	0.89	0.61	98.42
○ POLICY INDEX	16.87	9.46	1.00	0.00	100.00
■ 90 DAY U.S. T-BILL	2.89	0.80	1.00	0.00	100.00

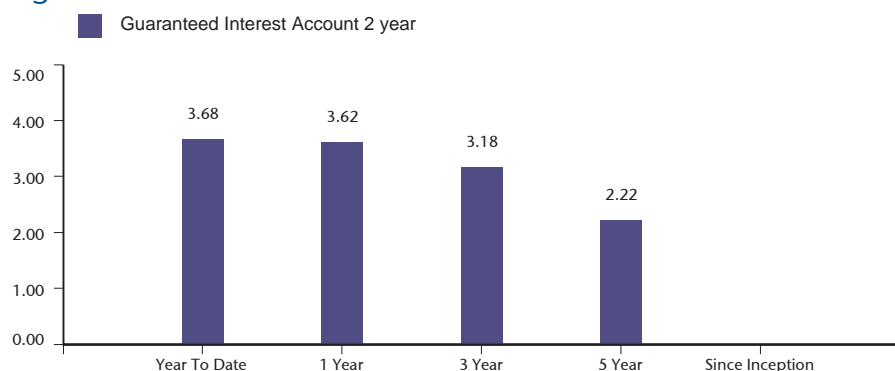
Guaranteed Interest Account 2 year as of 09/30/2007

Investment Strategy

The Guaranteed Interest Account gives you a guaranteed interest rate for a specific period of time as determined or allowed by your plan. The rate you get is set at the start of your plan's 12-month deposit year. Your benefit report shows your guaranteed interest rate. All deposits to your account during the deposit year get this rate. A new rate is set at the start of each deposit year.

A charge may apply to early withdrawals of transfer money from this account before the guarantee period ends. The surrender charge is a percentage of the amount withdrawn equal to: 1) the current rate minus your rate, multiplied by 2) the number of years and fractions left in your guarantee period. This charge applies only if the current rate for new deposits is higher than your account's guaranteed rate. No charge applies if you retire, die, end employment or become disabled.

Long-term returns % as of 09/30/2007



Performance disclosure

The crediting rate history and historical performance shown are based on past interest rates and do not guarantee future rates. Current rates may be lower or higher than the data shown. For more information, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

History	YTD	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
2 Year Full Rate Avg	3.68	3.59	2.72	1.25	0.51	1.81	3.23	5.76	5.04		

Guarantees are backed by all the assets in the Principal Life multi-billion dollar general account.

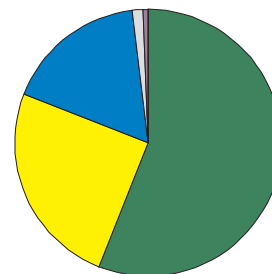
The holdings information on this Fact Sheet represents that of the entire general account of Principal Life Insurance Company.

Operations

Total Net Assets (mil) \$32,521.83

Portfolio information

Composition as of 06/30/2007



% of Assets

U.S. Bonds	56.06
Other	24.88
Non-U.S. Bonds	17.13
Cash	1.30
Preferred	0.60
U.S. Stocks	0.03

Portfolio composition

Full Ratings

Guaranteed Period	09/30 2007	06/30 2007	09/30 2006
2 Year Full Rate	3.60	3.90	3.40

Guaranteed rates for new deposits are subject to change daily

Financial Strength Ratings of the Principal Life Insurance Company

Moody's	Aa2
S&P	AA

Guaranteed Interest Account 7 year as of 09/30/2007

Investment Strategy

The Guaranteed Interest Account gives you a guaranteed interest rate for a specific period of time as determined or allowed by your plan. The rate you get is set at the start of your plan's 12-month deposit year. Your benefit report shows your guaranteed interest rate. All deposits to your account during the deposit year get this rate. A new rate is set at the start of each deposit year.

A charge may apply to early withdrawals of transfer money from this account before the guarantee period ends. The surrender charge is a percentage of the amount withdrawn equal to: 1) the current rate minus your rate, multiplied by 2) the number of years and fractions left in your guarantee period. This charge applies only if the current rate for new deposits is higher than your account's guaranteed rate. No charge applies if you retire, die, end employment or become disabled.

Long-term returns % as of 09/30/2007



Performance disclosure

The crediting rate history and historical performance shown are based on past interest rates and do not guarantee future rates. Current rates may be lower or higher than the data shown. For more information, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

History	YTD	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
7 Year Full Rate Avg	4.03	3.96	3.31	3.09	2.85	3.98	4.75	6.26	5.59		

Guarantees are backed by all the assets in the Principal Life multi-billion dollar general account.

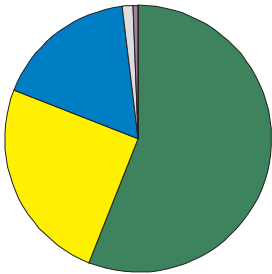
The holdings information on this Fact Sheet represents that of the entire general account of Principal Life Insurance Company.

Operations

Total Net Assets (mil) \$32,521.83

Portfolio information

Composition as of 06/30/2007



% of Assets

U.S. Bonds	56.06
Other	24.88
Non-U.S. Bonds	17.13
Cash	1.30
Preferred	0.60
U.S. Stocks	0.03

Portfolio composition

Full Ratings

Guaranteed Period	09/30 2007	06/30 2007	09/30 2006
7 Year Full Rate	4.20	4.30	3.80

Guaranteed rates for new deposits are subject to change daily

Financial Strength Ratings of the Principal Life Insurance Company

Moody's	Aa2
S&P	AA

Money Market Separate Account-Stnd as of 09/30/2007

Investment Strategy

The investment seeks a high a level of current income consistent with preservation of principal and maintenance of liquidity. It invests in a portfolio of high quality, short-term money market instruments. The investments are U.S. dollar denominated securities which the sub-advisor believes present minimal credit risks. The sub-advisor maintains a dollar weighted average portfolio maturity of 90 days or less.

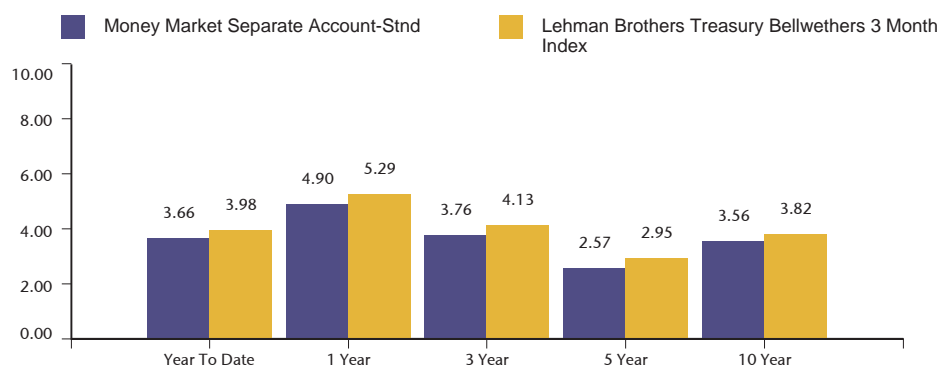


Portfolio managers

Alice B. Robertson Since 05/01/1999. Bachelor, Northwestern U

Tracy Reeg Since 08/31/2004. Bachelor, U of Northern Iowa

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.66	4.90	3.76	2.57	3.56
Lehman Brothers Treasury Bellwethers 3 Month Index %	3.98	5.29	4.13	2.95	3.82

Annual Returns	2006	2005	2004	2003	2002
Total Return %	4.55	2.72	0.87	0.76	1.45



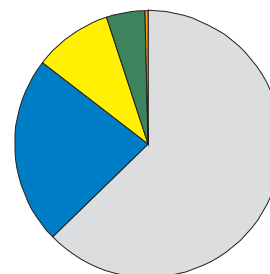
© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Operations

Total Investment Expense Net	0.56%
Total Investment Expense Gross	0.56%
Inception Date	12/10/1980
Total Net Assets (mil)	\$3,897.44

Portfolio information

Composition as of 06/30/2007



% of Assets

Cash	62.73
Non-U.S. Bonds	22.74
Other	9.42
U.S. Bonds	4.70
Non-U.S. Stocks	0.41

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	27
# of Other Hldgs	69

Portfolio composition

Top ten holdings % of net assets

Stanfield Victoria Funding Llc	2.46
Deere Capital Corp. 05/12/2011	2.45
Cafco Llc 01/12/2011	2.45
Prudential Plc 04/20/2011	2.40
Klio Iii Funding Corp 04/26/2011	2.35
Scaldis Capital Llc 01/09/2011	1.92
JP Morgan Intl Derivatives	1.89
Klio Funding Corp 04/27/2011	1.55
General Elec Cap FRN	1.26
Morgan Stanley Grp	1.22

% of net assets in top ten holdings* 19.95%

*Values may exceed 100% if both long and short positions are included in the portfolio.

Credit analysis

	% Bonds
A1+	71.00
A1	29.00
A2	0.00

Statistics

Avg Eff Maturity (Days)	181.92
7-Day Yield %	4.69

Money Market Separate Account-Stnd as of 09/30/2007



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Investors Fund is distributed by and securities are offered through Princor Financial Services Corporation, 800-247-4123, member SIPC. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

The 7-Day Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency.

Lehman Brothers Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Bond and Mortgage Separate Account-Stnd as of 09/30/2007

Investment Strategy

The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.

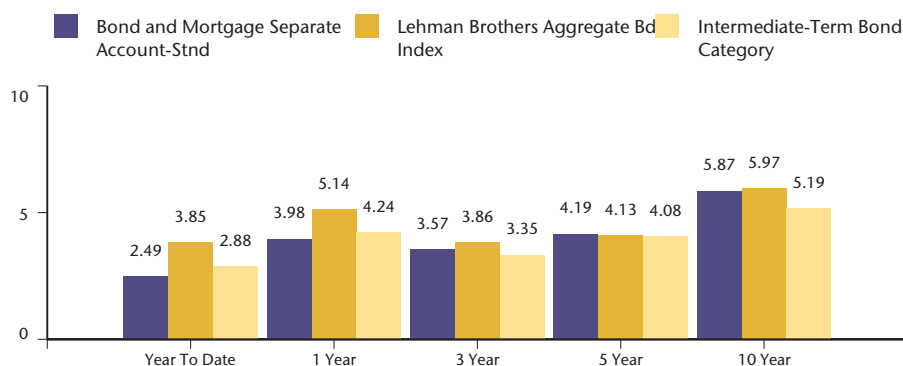


Portfolio managers

William Armstrong, CFA. Since 01/01/1997. Bachelor, Kearney State C

Timothy Warrick, CFA. Since 06/01/2002. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	2.49	3.98	3.57	4.19	5.87
Lehman Brothers Aggregate Bd Index %	3.85	5.14	3.86	4.13	5.97
Intermediate-Term Bond Category %	2.88	4.24	3.35	4.08	5.19
Morningstar Percentile Rankings	-	67	37	38	15
# of funds in category	1128	1094	968	819	407

Annual Returns	2006	2005	2004	2003	2002
Total Return %	4.56	2.48	4.85	5.04	9.73
Lehman Brothers Aggregate Bd Index %	4.33	2.43	4.34	4.10	10.25
Intermediate-Term Bond Category %	4.15	1.80	3.91	5.10	8.04
Morningstar Percentile Rankings	24	15	22	41	20
# of Funds in Category	1092	1043	1035	952	784

Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style BoxTM

As of 06/30/2007

Duration			Quality
Short	Int	Long	
			High
			Medium
			Low

Risk and Return Statistics

as of 09/30/2007 Relative to
Lehman Brothers Aggregate Bd Index

	3Yr	5Yr
Alpha	-0.31	0.07
Beta	0.94	0.99
R-Squared	94.06	97.39
Standard Deviation	2.68	3.60
Mean	3.56	4.19
Sharpe Ratio	-0.23	0.33
Excess Risk	0.67	0.59
Information Ratio	-0.45	0.09

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	02/01/1983
Total Net Assets (mil)	\$6,339.05



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Bond and Mortgage Separate Account-Stdnd as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Credit Analysis

% Bonds

AAA	57.83
AA	6.59
A	9.52
BBB	15.04
BB	5.52
B	4.93
Below B	0.57
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	5.10
Avg Eff Maturity (Yrs)	8.80
Avg Credit Quality	AA
Avg Weighted Coupon	5.48
Avg Weighted Price	100.12



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Bond and Mortgage Separate Account-Standard.

Lehman Brothers Aggregate Bd Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Stock Emphasis Balanced Separate Account-Stnd as of 09/30/2007

Investment Strategy

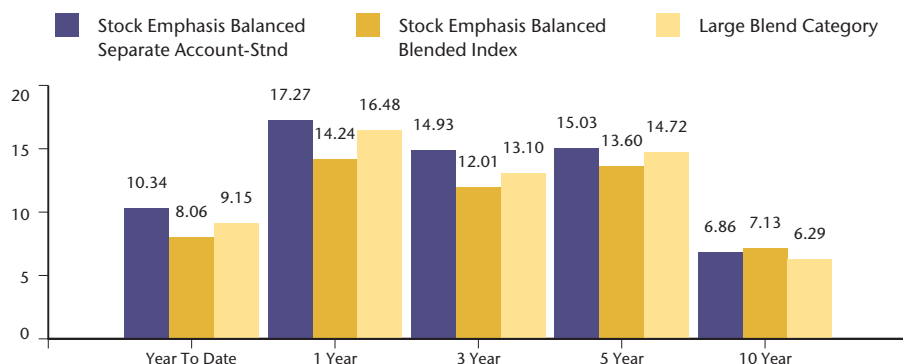
The investment option primarily invests in other separate accounts offered by The Principal. It usually maintains at least 50% of assets in common stocks.

Investment Advisor: Principal Financial Advisors

Portfolio managers

Management Team

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	10.34	17.27	14.93	15.03	6.86
Stock Emphasis Balanced Blended Index %	8.06	14.24	12.01	13.60	7.13
Large Blend Category %	9.15	16.48	13.10	14.72	6.29
Morningstar Percentile Rankings	-	32	18	42	27
# of funds in category	2157	2090	1646	1284	566

Annual Returns	2006	2005	2004	2003	2002
Total Return %	14.59	10.20	11.92	24.13	-13.20
Stock Emphasis Balanced Blended Index %	13.45	5.98	10.65	23.42	-11.82
Large Blend Category %	14.17	5.88	10.02	27.05	-22.25
Morningstar Percentile Rankings	47	11	29	79	6
# of Funds in Category	1980	1743	1611	1526	1468

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 06/30/2007

Investment style

Value	Blend	Growth	
			Large
			Medium
			Small

Market capitalization

Risk and Return Statistics

as of 09/30/2007 Relative to
Stock Emphasis Balanced Blended Index

	3Yr	5Yr
Alpha	1.67	1.24
Beta	1.15	1.01
R-Squared	92.69	91.72
Standard Deviation	6.56	7.18
Mean	14.93	15.03
Sharpe Ratio	1.52	1.58
Excess Return	3.04	1.49
Excess Risk	1.97	2.08
Information Ratio	1.54	0.71

Operations

Total Investment Expense Net	0.78%
Total Investment Expense Gross	0.78%
Inception Date	10/01/1993
Total Net Assets (mil)	\$686.66



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Stock Emphasis Balanced Separate Account-Stnd as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	1.74	Healthcare	7.31	Consumer Goods	6.70
Hardware	4.98	Consumer Services	4.63	Industrial Materials	9.90
Media	0.93	Business Services	4.50	Energy	5.94
Telecom	2.88	Financial Services	14.86	Utilities	1.82



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Stock Emphasis Balanced Separate Account-Stnd.

Stock Emphasis Balanced Blended Index is composed of 58% Russell 3000 Index, 12% EAFE Index, and 30% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Vanguard Windsor II Fund as of 09/30/2007

Investment Strategy

The investment seeks long-term capital appreciation and income. The fund invests mainly in mid- and large-capitalization companies whose stocks are considered by an advisor to be undervalued. Undervalued stocks are generally those that are out of favor with investors and that the advisor feels are trading at prices that are below average in relation to such measures as earnings and book value. These stocks often have above-average dividend yields.

Investment Advisor: Vanguard Group

Portfolio managers

James P. Barrow Since 06/24/1985. B.S., U of South Carolina

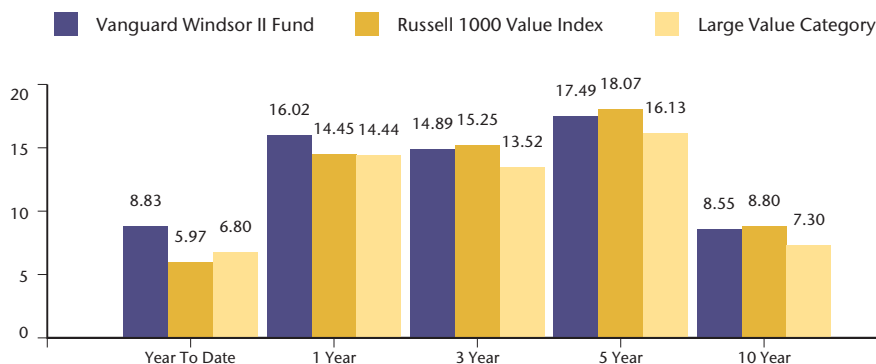
George Davis Since 12/11/2003. M.B.A., Stanford U

Sheldon J. Lieberman Since 12/11/2003. M.B.A., California State U

Jeffrey Shaw Since 01/04/2006. B.A., Princeton U

James Troyer, CFA Since 02/28/2006. A.B., Occidental C

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	8.83	16.02	14.89	17.49	8.55
Russell 1000 Value Index %	5.97	14.45	15.25	18.07	8.80
Large Value Category %	6.80	14.44	13.52	16.13	7.30
Morningstar Percentile Rankings	-	29	24	20	24
# of funds in category	1422	1373	1117	869	400

Annual Returns	2006	2005	2004	2003	2002
Total Return %	18.25	7.01	18.31	30.08	-16.86
Russell 1000 Value Index %	22.25	7.05	16.49	30.03	-15.52
Large Value Category %	18.15	5.95	12.97	28.44	-18.69
Morningstar Percentile Rankings	50	34	7	33	35
# of Funds in Category	1371	1296	1220	1050	961

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 06/30/2007

Investment style

Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 09/30/2007 Relative to
Russell 1000 Value Index

	3Yr	5Yr
Alpha	0.64	1.16
Beta	0.90	0.88
R-Squared	92.99	91.98
Standard Deviation	7.32	8.90
Mean	14.89	17.49
Sharpe Ratio	1.37	1.52
Excess Return	-0.36	-0.57
Excess Risk	2.09	2.81
Information Ratio	-0.17	-0.20

Operations

Total Investment Expense Net	0.34%
Total Investment Expense Gross	0.34%
Inception Date	06/24/1985
Total Net Assets (mil)	\$53,770.62
12b-1 Fees	-
Ticker	VWNFX



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Vanguard Windsor II Fund as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	12.93	Healthcare	44.26	Consumer Goods	42.81
Hardware	1.87	Consumer Services	12.64	Industrial Materials	11.28
Media	3.82	Business Services	5.14	Energy	13.53
Telecom	1.72	Financial Services	0.88	Utilities	9.97
	5.52		25.60		8.03

Access Funds consist of an assortment of mutual funds from some of the premier names in the mutual fund industry. These investment options provide for additional choice to supplement the Foundation Options we offer through the Principal Due Diligence ProgramSM.

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 800-247-4123, member SIPC. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative, by visiting www.principal.com, or by contacting us at 1-800-547-7754. Please read the prospectus carefully before investing.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Large-Cap Stock Index Separate Account-Stnd as of 09/30/2007

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

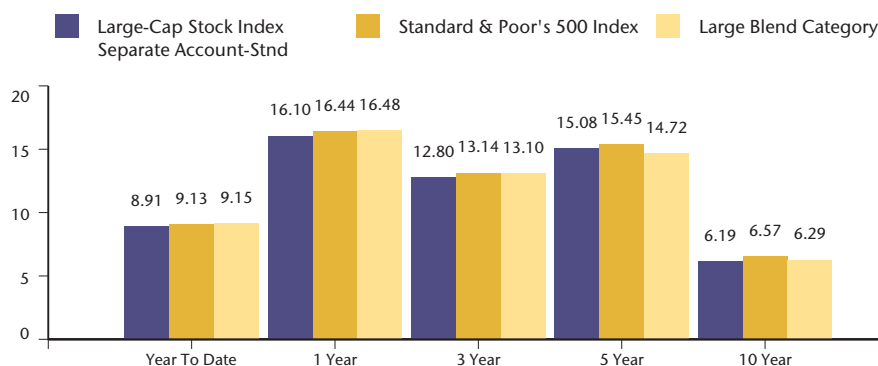


Portfolio managers

Dirk Laschanzky, CFA. Since 10/01/2003. M.B.A., U of Iowa

Mariateresa Monaco, CFA. Since 09/01/2005. Master, Northeastern U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	8.91	16.10	12.80	15.08	6.19
Standard & Poor's 500 Index %	9.13	16.44	13.14	15.45	6.57
Large Blend Category %	9.15	16.48	13.10	14.72	6.29
Morningstar Percentile Rankings	-	50	51	42	50
# of funds in category	2157	2090	1646	1284	566

Annual Returns	2006	2005	2004	2003	2002
Total Return %	15.46	4.58	10.49	28.18	-22.38
Standard & Poor's 500 Index %	15.79	4.91	10.88	28.68	-22.10
Large Blend Category %	14.17	5.88	10.02	27.05	-22.25
Morningstar Percentile Rankings	30	66	50	41	59
# of Funds in Category	1980	1743	1611	1526	1468

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 09/30/2007 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.29	-0.32
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	7.51	9.69
Mean	12.80	15.08
Sharpe Ratio	1.09	1.19
Excess Return	-0.33	-0.38
Excess Risk	0.03	0.03
Information Ratio	-10.07	-11.93

Operations

Total Investment Expense Net	0.31 %
Total Investment Expense Gross	0.31 %
Inception Date	01/01/1990
Total Net Assets (mil)	\$6,982.36

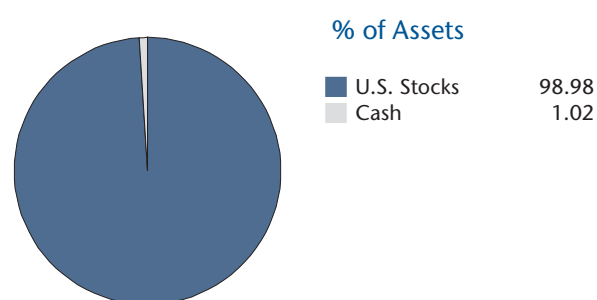


© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large-Cap Stock Index Separate Account-Stdnd as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Top ten holdings

	% of net assets
1. ExxonMobil Corporation	3.51
2. General Electric Company	2.92
3. AT&T, Inc.	1.90
4. Citigroup, Inc.	1.88
5. Microsoft Corporation	1.84
6. Bank of America Corporation	1.61
7. Procter & Gamble Company	1.43
8. American International Group	1.35
9. Chevron Corporation	1.34
10. Pfizer Inc.	1.33
% of net assets in top ten holdings*	19.11

Analysis

# of Stock Hldgs	499
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	\$55,146.28
Turnover Ratio	4%
P/C Ratio	11.30
P/E Ratio	15.16
P/B Ratio	2.69

Stock Sector Breakdown

Information	% of net assets		% of net assets		% of net assets
	20.28	Service	43.82	Manufacturing	34.86
Software	3.60	Healthcare	11.61	Consumer Goods	8.29
Hardware	9.55	Consumer Services	7.66	Industrial Materials	12.51
Media	3.41	Business Services	4.08	Energy	10.55
Telecom	3.72	Financial Services	20.47	Utilities	3.51



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Large Cap Stock Index Sep Acct-Standard.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

S&P 500 is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Large Company Growth Separate Account-Stnd as of 09/30/2007

Investment Strategy

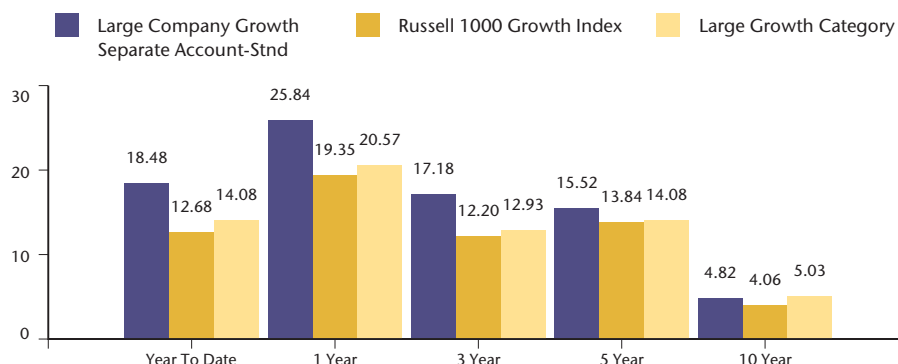
The investment option primarily invests in common stocks of large capitalization companies with strong earnings growth potential. It normally invests the majority of assets in companies with large market capitalizations at the time of purchase. Management places strong emphasis on companies it believes are guided by high quality management teams. It also attempts to identify those companies that are market leaders possessing the ability to control pricing and margins in their respective industries. It may invest up to 25% of assets in foreign securities.



Portfolio managers

Anthony Rizza, CFA. Since 01/01/2005. B.S., U of Connecticut

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	18.48	25.84	17.18	15.52	4.82
Russell 1000 Growth Index %	12.68	19.35	12.20	13.84	4.06
Large Growth Category %	14.08	20.57	12.93	14.08	5.03
Morningstar Percentile Rankings	-	16	9	26	55
# of funds in category	1763	1708	1443	1206	507

Annual Returns	2006	2005	2004	2003	2002
Total Return %	9.67	11.82	9.16	25.98	-28.87
Russell 1000 Growth Index %	9.07	5.26	6.30	29.75	-27.88
Large Growth Category %	7.05	6.71	7.81	28.66	-27.64
Morningstar Percentile Rankings	26	16	41	63	66
# of Funds in Category	1642	1495	1400	1311	1234

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 06/30/2007

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 09/30/2007 Relative to
Russell 1000 Growth Index

	3Yr	5Yr
Alpha	4.49	2.50
Beta	1.00	0.90
R-Squared	81.49	84.29
Standard Deviation	9.28	10.17
Mean	17.18	15.51
Sharpe Ratio	1.31	1.18
Excess Return	4.98	1.67
Excess Risk	4.01	4.16
Information Ratio	1.24	0.40

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	\$1,312.01



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large Company Growth Separate Account-Stdnd as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	21.25	Healthcare	47.64	Consumer Goods	28.93
Hardware	4.99	Consumer Services	18.64	Industrial Materials	11.06
Media	14.92	Business Services	10.82	Energy	12.40
Telecom	0.00	Financial Services	9.66	Utilities	5.47
	1.34		8.52		0.00



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Large Company Growth Separate Account-Standard.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Effective January 5, 2005, this portfolio is sub-advised by Columbus Circle Investors. Prior to January 5, 2005, the portfolio was sub-advised by Principal Global Investors.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Investment Strategy

The investment seeks long-term capital appreciation. The fund invests at least 80% of net assets (plus any borrowings for investment purposes) in common stocks of companies with medium market capitalizations, which is similar to companies in the S&P MidCap 400 Index. The fund may invest up to 20% of assets in REIT securities. It may invest in fixed-income securities of any maturity, including mortgage-backed securities, and may invest up to 20% of assets in U.S. government securities and collateralized mortgage obligations fund may invest up to 25% of assets in the securities of foreign issuers.

Portfolio Managers

Daniel R. Coleman

Since 12/01/2001, M.B.A., New York U



Morningstar Category & Style Box™

as of 06/30/2007

Category: Mid Cap Blend

Average Annual Total Returns¹ as of 09/30/2007

	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Inception
MidCap Stock Fund (A)						
Excluding Sales Charge	2.37%	11.40%	13.85%	15.72%	—	13.41%
Including Sales Charge	-3.25%	5.28%	11.72%	14.41%	—	12.57%
Morningstar Percentile Rankings	—	91	60	79	—	—
Number of Funds in Category	492	396	396	322	133	—
MidCap Stock Fund (B)						
Excluding Sales Charge	1.69%	10.33%	12.73%	14.56%	—	12.33%
Including Sales Charge	-3.31%	5.33%	11.67%	14.33%	—	12.33%
MidCap Stock Fund (C)						
Excluding Sales Charge	1.74%	10.50%	12.87%	14.66%	—	12.40%
Including Sales Charge	0.74%	9.50%	12.87%	14.66%	—	12.40%

Investment results shown represent historical performance and do not guarantee future results. Your investment's returns and principal values will fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance shown. For more information, including the most recent month-end performance, visit www.principalfunds.com, call your financial professional, or call 800-222-5852. A sales charge may apply as follows: Class A shares: maximum up-front sales charge of 5.50%; Class B shares: contingent deferred sales charge of 5%, which declines over 5 years (5-5-4-3-2-0%); Class C shares: contingent deferred sales charge of 1% on redemptions made during the first 12 months. See the prospectus for details. Performance listed with sales charge reflects the maximum sales charge.

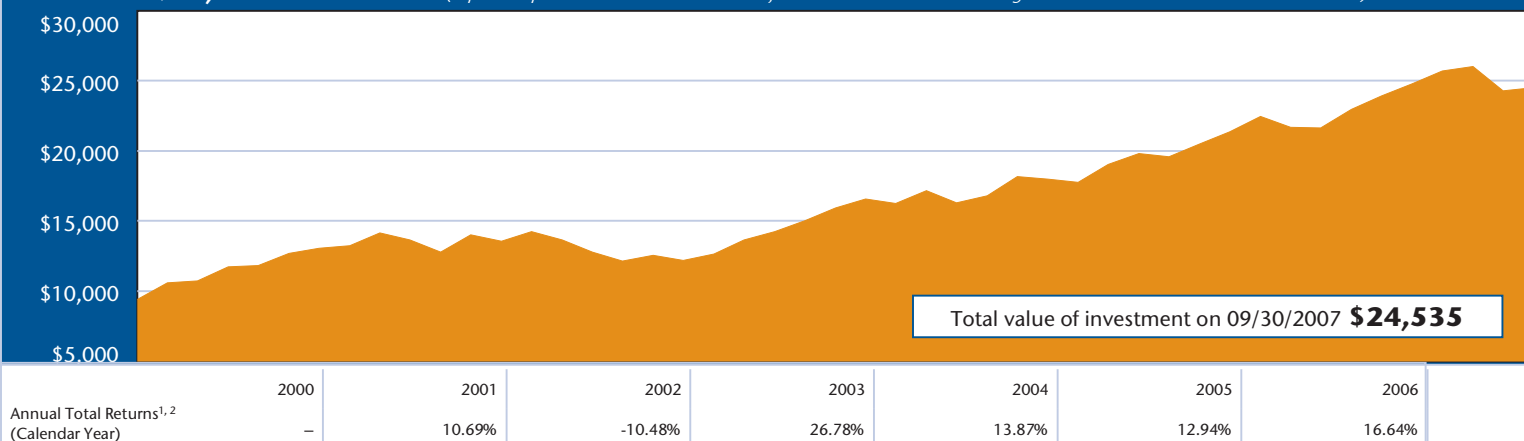
Where gross and net expense ratios differ, Principal Management Corporation has contractually agreed to limit the investment option's expenses. Differences also may be due to Principal Management Corporation's decision to pay (through the same dates) certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Operations

Total Net Assets (mil.)	\$882.03
Class A Inception Date	03/01/2000
Class B Inception Date	03/01/2000
Class C Inception Date	03/01/2002
Extended Performance Inception Date	03/01/2000

Total Investment Expense

	Gross Expense Ratio	Net Expense Ratio	Expiration Date Contractual Cap	Waiver
Class A	1.09%	1.09%	02/28/2008	N/A
Class B	2.07%	2.06%	02/28/2008	02/28/2008
Class C	1.95%	1.95%	02/28/2008	N/A

Value of a \$10,000 Investment¹ (Represents performance for Class A shares adjusted for the maximum sales charge and assumes the reinvestment of distributions)

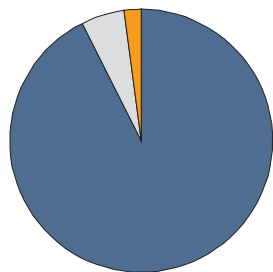
¹ Performance assumes reinvestment of all dividends and capital gains. Extended performance is calculated based on the historical performance of the fund's oldest share class, adjusted for the fees and expenses of the share class shown. Periods of less than one year are not annualized. Morningstar percentile rankings are based on total returns.

² The annual total returns shown above represent performance for Class A shares (not adjusted for sales charge) and any extended annual performance is based on the fund's oldest share class (not adjusted for sales charge). Annual total returns for other share classes will differ.

MidCap Stock Fund as of 09/30/2007

A Shares: **WMCA** B Shares: **WMCB** C Shares: **WMCC**

Portfolio Information as of 06/30/2007



Composition	% of Assets
U.S. Stocks	92.57
Cash	5.28
Non-U.S. Stocks	2.15

Analysis

Number of Holdings	63
Turnover Ratio	22%
P/E Ratio	14.50

Top Ten Holdings % of Net Assets

1. Microchip Technology, Inc.	2.73
2. HCC Insurance Holdings Inc.	2.69
3. Lincoln Electric Holdings, Inc.	2.53
4. Nabors Industries, Ltd.	2.42
5. Lubrizol Corporation	2.36
6. Aaron Rents, Inc.	2.33
7. Fidelity National Information Services, Inc.	2.33
8. Washington Federal Inc.	2.32
9. IMS Health, Inc.	2.31
10. Covance, Inc.	2.28

% of net assets in top ten holdings* 24.30

*Values may exceed 100% if both long and short positions are included in the portfolio.

Stock Sector Breakdown as of 06/30/2007

Information	9.98%	Service	53.74%
Software	1.66	Healthcare	12.98
Hardware	8.05	Consumer Services	7.99
Media	0.00	Business Services	12.14
Telecom	0.27	Financial Services	20.63
Manufacturing	36.29%		
Consumer Goods	9.84		
Industrial Materials	11.93		
Energy	9.13		
Utilities	5.39		

Risk & Return Statistics as of 09/30/2007

Class A Shares

Relative to Standard and Poor's 400 Midcap Stock Index

	3-Year	5-Year
Alpha	-0.43	0.49
Beta	0.89	0.81
R-Squared	85.79	85.12
Standard Deviation	10.03	9.87

The full name of this investment option is Principal Investors MidCap Stock Fund.

Portfolio holdings may not reflect the current portfolio composition and do not constitute a recommendation to purchase or sell a particular security.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

Formerly known as the WM Mid Cap Stock Fund.

Standard and Poor's 400 Midcap Stock Index includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.

Alpha: The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta).

Beta: An investment's sensitivity to market movements.

R-Squared: Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index.

Standard Deviation: Measures how much an investment's returns are likely to fluctuate.

Web Site: principalfunds.com

Before investing, you should carefully consider a fund's investment objectives, risks, charges, and expenses. Contact your financial professional, visit www.principalfunds.com, or call 800-222-5852 to obtain a prospectus containing this and other information. Read the prospectus carefully before investing.

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Principal Investors Fund, Inc. is distributed by Principal Funds Distributor, Inc., member of the Principal Financial Group®. Principal Funds Distributor, Principal Shareholder Services, Principal Management Corporation and its affiliates, and Principal Investors Fund, Inc. are collectively referred to as Principal Funds.

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Not FDIC Insured

May Lose Value • Not a Deposit • No Bank Guarantee
Not Insured by any Federal Government Agency

MidCap Stock Fund (A) as of 06/30/2007

Ticker: WMCA

Principal
Funds

Investment Strategy

The investment seeks long-term capital appreciation. The fund invests at least 80% of net assets (plus any borrowings for investment purposes) in common stocks of companies with medium market capitalizations, which is similar to companies in the S&P MidCap 400 Index. The fund may invest up to 20% of assets in REIT securities. It may invest in fixed-income securities of any maturity, including mortgage-backed securities, and may invest up to 20% of assets in U.S. government securities and collateralized mortgage obligations fund may invest up to 25% of assets in the securities of foreign issuers.

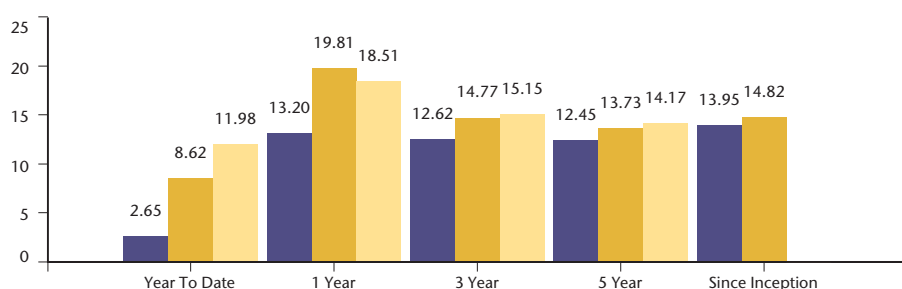


Portfolio managers

Daniel R. Coleman Since 12/01/2001. M.B.A., New York U

Long-term returns % as of 06/30/2007

MidCap Stock Fund (A) Including Sales Charge MidCap Stock Fund (A) Excluding Sales Charge Standard and Poor's 400 Midcap Stock Index



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Your investment's returns and principal values will fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance shown. For more information, including the most recent month-end performance, visit www.principalfunds.com, call your financial professional, or call 1-800-222-5852.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
MidCap Stock Fund (A) Including Sales Charge %	2.65	13.20	12.62	12.45	13.95
MidCap Stock Fund (A) Excluding Sales Charge %	8.62	19.81	14.77	13.73	14.82
Morningstar Percentile Rankings	-	50	43	46	-
# of funds in category	490	473	385	317	-

Annual Returns	2006	2005	2004	2003	2002
Total Return Excluding Sales Charge %	16.64	12.94	13.87	26.78	-10.47
Standard and Poor's 400 Midcap Stock Index %	10.32	12.56	16.48	35.62	-14.53
Mid Cap Blend Category %	13.55	9.25	16.47	38.11	-16.56
Morningstar Percentile Rankings	23	14	74	92	18
# of Funds in Category	454	417	370	334	307

Morningstar percentile rankings are based on total returns.

A maximum up-front sales charge of 5.5% may apply. See the prospectus for details. Performance listed with sales charge reflects the maximum sales charge.

Morningstar category

Mid Cap Blend

Morningstar Style Box™

As of 03/31/2007

Investment style

Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 06/30/2007 Relative to Standard and Poor's 400 Midcap Stock Index

	3Yr	5Yr
Alpha	1.39	1.75
Beta	0.83	0.79
R-Squared	89.68	90.25
Standard Deviation	9.25	10.60
Mean	14.77	13.73
Sharpe Ratio	1.12	1.01
Excess Return	-0.38	-0.45
Excess Risk	3.46	4.26
Information Ratio	-0.11	-0.10

Operations

Total Investment Expense Net	1.09%
Total Investment Expense Gross	1.09%
Contractual Cap Expiration Date	02/28/2008
Inception Date	03/01/2000
Total Net Assets (mil)	\$972.40
12b-1 Fees	0.25%
Sales Charge	5.50%



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

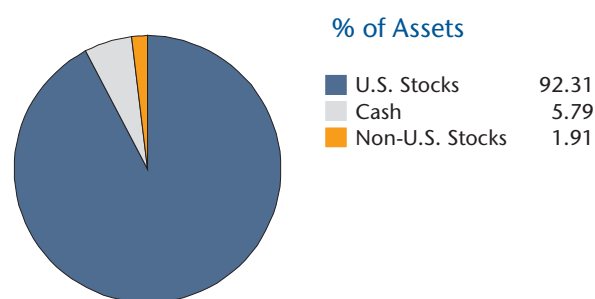
Not FDIC Insured

May Lose Value • Not a Deposit • No Bank Guarantee
Not Insured by any Federal Government Agency

MidCap Stock Fund (A) as of 06/30/2007

Portfolio information[†]

Composition as of 03/31/2007



Top ten holdings

% of net assets

Analysis

1. Microchip Technology, Inc.	2.81
2. Tidewater, Inc.	2.58
3. NiSource, Inc.	2.55
4. HCC Insurance Holdings Inc.	2.55
5. Fidelity National Information Services, Inc.	2.48
6. Nabors Industries, Ltd.	2.37
7. Washington Federal Inc.	2.36
8. Valspar Corporation	2.33
9. Lubrizol Corporation	2.26
10. Pinnacle West Capital	2.25

% of net assets in top ten holdings 24.54

# of Stock Hldgs	58
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	\$4,316.57
Turnover Ratio	22%
P/C Ratio	6.84
P/E Ratio	14.60
P/B Ratio	2.02

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	1.81	Healthcare	12.64	Consumer Goods	10.03
Hardware	8.37	Consumer Services	8.46	Industrial Materials	10.95
Media	0.00	Business Services	12.06	Energy	9.80
Telecom	0.35	Financial Services	20.43	Utilities	5.09

Before investing, you should carefully consider a fund's investment objectives, risks, charges, and expenses. Contact your financial professional, visit www.principalfunds.com, or call 1-800-222-5852 to obtain a prospectus containing this and other information. Read the prospectus carefully before investing.

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Principal Investors Fund, Inc. is distributed by Principal Funds Distributor, Inc., member of the Principal Financial Group®. Principal Funds Distributor, Principal Shareholder Services, Principal Management Corporation and its affiliates, and Principal Investors Fund, Inc. are collectively referred to as Principal Funds.

The full name of this investment option is Principal Investors MidCap Stock Fund (A).

Standard and Poor's 400 Midcap Stock Index includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

[†]Portfolio holdings may not reflect the current portfolio composition and do not constitute a recommendation to purchase or sell a particular security.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

Formerly known as the WM Mid Cap Stock Fund.

Small Company Value Separate Account-Stnd as of 09/30/2007

Investment Strategy

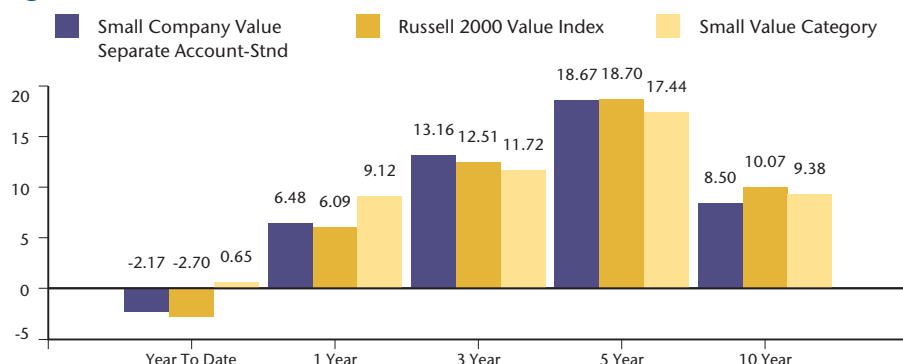
The investment seeks long-term growth of capital and invests primarily in common stocks of small capitalization companies. It normally invests the majority of assets in companies with market capitalizations similar to those companies in the Russell 2000 Value Index. Management focuses on stocks of small-sized companies that are undervalued at the time of purchase. These companies are often characterized by below-average stock price earnings ratios and above-average dividend yields. The Separate Account may invest up to 25% of assets in foreign securities.



Portfolio managers

Tom Morabito, CFA. Since 08/01/2000. M.B.A., Northeastern U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-2.17	6.48	13.16	18.67	8.50
Russell 2000 Value Index %	-2.70	6.09	12.51	18.70	10.07
Small Value Category %	0.65	9.12	11.72	17.44	9.38
Morningstar Percentile Rankings	-	75	30	25	74
# of funds in category	440	417	316	246	84

Annual Returns	2006	2005	2004	2003	2002
Total Return %	19.19	9.73	20.56	44.84	-1.48
Russell 2000 Value Index %	23.48	4.71	22.25	46.03	-11.43
Small Value Category %	16.27	6.40	21.14	42.38	-10.12
Morningstar Percentile Rankings	27	14	52	28	12
# of Funds in Category	389	348	307	303	273

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 09/30/2007 Relative to
Russell 2000 Value Index

	3Yr	5Yr
Alpha	1.02	0.64
Beta	0.94	0.95
R-Squared	95.77	95.94
Standard Deviation	12.22	13.31
Mean	13.15	18.67
Sharpe Ratio	0.73	1.13
Excess Return	0.64	-0.03
Excess Risk	2.64	2.78
Information Ratio	0.24	-0.01

Operations

Total Investment Expense Net	0.91%
Total Investment Expense Gross	0.91%
Inception Date	06/01/1995
Total Net Assets (mil)	\$413.90

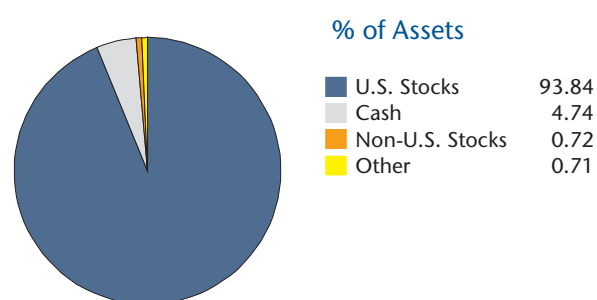


© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Small Company Value Separate Account-Std as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Top ten holdings

	% of net assets
1. American Physicians Capital, Inc.	1.21
2. BancFirst Corporation	1.14
3. Entertainment Properties Trust	1.13
4. Community Trust Bancorp, Inc.	1.08
5. Urstadt Biddle Properties, Inc.	1.07
6. Inland Real Estate Corporation	1.07
7. Sterling Financial Corporation	1.06
8. WSFS Financial Corporation	1.04
9. Gramercy Capital Corporation	1.04
10. City Holding Company	1.02
% of net assets in top ten holdings*	10.86

Analysis

# of Stock Hldgs	148
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	\$1,011.31
Turnover Ratio	84%
P/C Ratio	10.11
P/E Ratio	14.64
P/B Ratio	1.96

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	14.60	Healthcare	52.36	Consumer Goods	27.61
Hardware	3.77	Consumer Services	3.60	Industrial Materials	4.75
Media	7.99	Business Services	7.80	Energy	13.15
Telecom	1.89	Financial Services	11.67	Utilities	5.88
	0.95		29.29		3.83



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Small Company Value Separate Acct-Standard.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Vanguard Explorer Fund as of 09/30/2007

Investment Strategy

The investment seeks to provide long-term capital appreciation. The fund invests mainly in the stocks of small companies. These companies tend to be unseasoned but are considered by the advisors to have superior growth potential. These companies often provide little or no dividend income.

Investment Advisor: Vanguard Group

Portfolio managers

John Granahan, CFA. Since 02/28/1990. Graduate, Catholic U of America

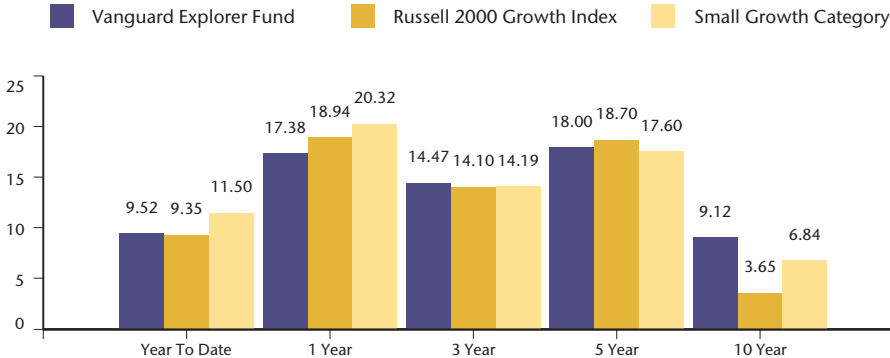
Kenneth L. Abrams Since 02/01/1994. M.B.A., Stanford U

Edward Antoian, CFA. Since 08/01/1997. M.B.A., U of Pennsylvania

Ford B. Draper Jr. Since 02/01/2005. MBA, Columbia U.

James Troyer, CFA. Since 02/17/2006. A.B., Occidental C

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	9.52	17.38	14.47	18.00	9.12
Russell 2000 Growth Index %	9.35	18.94	14.10	18.70	3.65
Small Growth Category %	11.50	20.32	14.19	17.60	6.84
Morningstar Percentile Rankings	-	64	47	44	28
# of funds in category	842	816	656	548	246

Annual Returns	2006	2005	2004	2003	2002
Total Return %	9.70	9.28	13.75	44.25	-24.58
Russell 2000 Growth Index %	13.35	4.15	14.31	48.54	-30.26
Small Growth Category %	10.81	6.02	12.41	45.54	-27.88
Morningstar Percentile Rankings	55	24	44	49	35
# of funds in category	763	723	711	696	630

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 06/30/2007

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 09/30/2007 Relative to
Russell 2000 Growth Index

	3Yr	5Yr
Alpha	1.57	1.06
Beta	0.85	0.88
R-Squared	96.32	97.38
Standard Deviation	12.42	14.30
Mean	14.47	18.00
Sharpe Ratio	0.82	1.02
Excess Return	0.37	-0.70
Excess Risk	3.19	3.07
Information Ratio	0.12	-0.23

Operations

Total Investment Expense Net	0.45%
Total Investment Expense Gross	0.45%
Inception Date	12/11/1967
Total Net Assets (mil)	\$12,340.88
12b-1 Fees	-
Ticker	VEXPX



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Vanguard Explorer Fund as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	19.13	Healthcare	53.69	Consumer Goods	27.17
Hardware	6.23	Consumer Services	16.23	Industrial Materials	7.56
Media	10.31	Business Services	13.27	Energy	12.72
Telecom	1.19	Financial Services	15.05	Utilities	6.21
	1.40		9.14		0.68

Access Funds consist of an assortment of mutual funds from some of the premier names in the mutual fund industry. These investment options provide for additional choice to supplement the Foundation Options we offer through the Principal Due Diligence ProgramSM.

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 800-247-4123, member SIPC. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative, by visiting www.principal.com, or by contacting us at 1-800-547-7754. Please read the prospectus carefully before investing.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Diversified International Separate Account-Stnd as of 09/30/2007

Investment Strategy

The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.



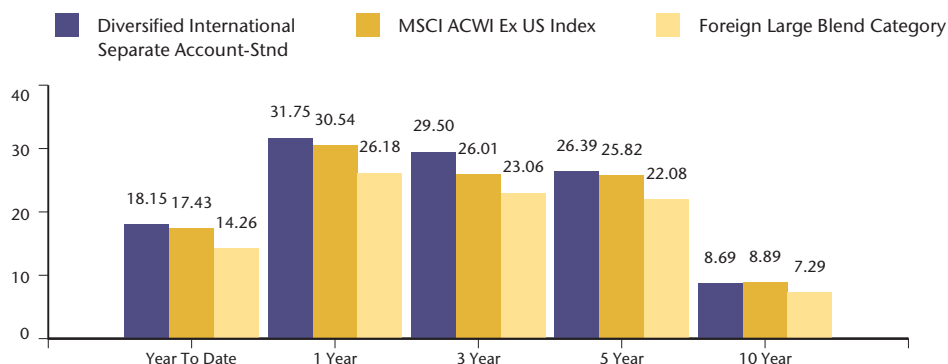
Portfolio managers

Paul Blankenhagen, CFA. Since 12/01/2003. Master, Drake U

Juliet Cohn Since 05/01/2004. Bachelor, Trinity C

Christopher Ibach, CFA. Since 05/30/2007. M.B.A., U of Iowa

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	18.15	31.75	29.50	26.39	8.69
MSCI ACWI Ex US Index %	17.43	30.54	26.01	25.82	8.89
Foreign Large Blend Category %	14.26	26.18	23.06	22.08	7.29
Morningstar Percentile Rankings	-	12	3	5	18
# of funds in category	760	715	564	454	218

Annual Returns	2006	2005	2004	2003	2002
Total Return %	27.99	24.14	20.99	33.73	-15.57
MSCI ACWI Ex US Index %	26.65	16.62	20.91	40.83	14.95
Foreign Large Blend Category %	24.77	14.72	17.39	33.58	-16.69
Morningstar Percentile Rankings	14	4	10	44	34
# of Funds in Category	657	608	551	504	482

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 09/30/2007 Relative to MSCI ACWI Ex US Index

	3Yr	5Yr
Alpha	1.20	0.01
Beta	1.08	1.02
R-Squared	97.42	95.99
Standard Deviation	11.32	11.65
Mean	29.49	26.39
Sharpe Ratio	1.99	1.83
Excess Return	3.47	0.55
Excess Risk	2.02	2.35
Information Ratio	1.72	0.24

Operations

Total Investment Expense Net	1.06%
Total Investment Expense Gross	1.06%
Inception Date	05/20/1987
Total Net Assets (mil)	\$4,042.99



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Diversified International Separate Account-Std as of 09/30/2007

Portfolio information

Composition as of 06/30/2007

% of Assets		Top ten holdings		% of net assets	Analysis	
	Non-U.S. Stocks	98.56	1. Toyota Motor	1.32	# of Stock Hldgs	731
	Cash	1.07	2. E.ON	1.17	# of Bond Hldgs	1
	Preferred	0.31	3. Nestle	1.10	# of Other Hldgs	8
	U.S. Stocks	0.05	4. BHP Billiton plc (ADR)	1.06	GeoAvgCap (mil)	\$25,840.25
	Other	0.01	5. Allianz SE	1.05	Turnover Ratio	88%
			6. Royal Bank Of Scotland Grp	1.04	P/C Ratio	8.50
			7. Roche Holding Ltd	0.99	P/E Ratio	14.76
			8. Siemens AG	0.91	P/B Ratio	2.38
			9. Credit Suisse Grp	0.90		
			10. Eni	0.89		
			% of net assets in top ten holdings*	10.43		

Top 5 Countries	% of net assets	Regional exposure	% of net assets
United Kingdom	18.56	Europe	57.49
Japan	16.61	Japan	16.61
Germany	9.18	Pacific Rim	15.71
France	7.95	Other	6.51
Switzerland	7.28	Latin America	2.21
		United States	0.05



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Diversified International Sep Acct-Standard.

MSCI ACWI Ex US Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Principal LifeTime Strategic Income Sep Acct-Standard

as of 09/30/2007

Investment Strategy

The investment seeks current income. The fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund moderate exposure to the domestic and foreign equity and fixed income markets. In deciding how to allocate the fund's assets among the underlying funds, the Sub-Advisor considers long-term asset class returns and volatility assumptions. There are no minimum or maximum percentages in which the fund must invest in any underlying fund.



Portfolio managers

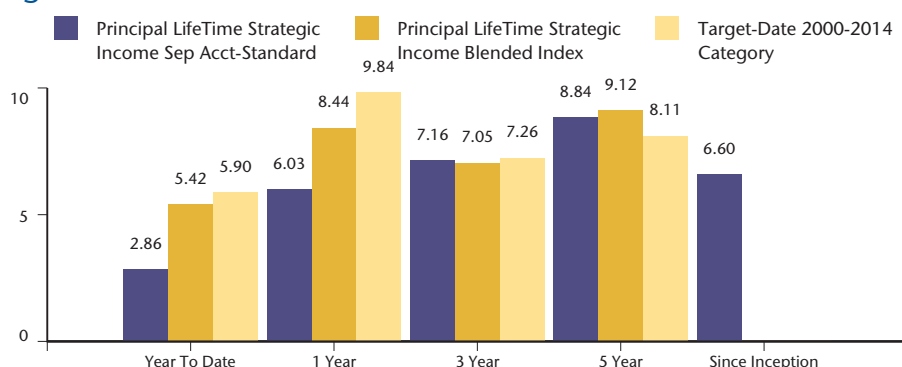
Dirk Laschanzky, CFA. Since 03/01/2001. M.B.A., U of Iowa

James Fennessey, CFA. Since 05/29/2007. B.S., Truman State U

Michael Finnegan, CFA. Since 05/29/2007. M.A., U of Iowa

Randy Welch Since 05/29/2007. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	2.86	6.03	7.16	8.84	6.60
Principal LifeTime Strategic Income Blended Index %	5.42	8.44	7.05	9.12	-
Target-Date 2000-2014 Category %	5.90	9.84	7.26	8.11	-
Morningstar Percentile Rankings	-	92	54	34	-
# of funds in category	259	218	104	39	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	8.95	3.96	10.92	15.29	-1.70
Principal LifeTime Strategic Income Blended Index %	6.90	3.48	6.15	10.74	2.09
Target-Date 2000-2014 Category %	8.58	3.68	6.82	13.67	-4.11
Morningstar Percentile Rankings	39	45	11	37	18
# of Funds in Category	188	126	88	43	37

Morningstar percentile rankings are based on total returns.

Morningstar category

Target-Date 2000-2014

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Duration			Market capitalization	Quality
Value	Blend	Growth	Short	Int	Long		
						Large	High
						Medium	Medium
						Small	Low

Risk and Return Statistics

as of 09/30/2007 Relative to Principal LifeTime Strategic Income Blended Index

	3Yr	5Yr
Alpha	0.10	0.93
Beta	1.02	0.81
R-Squared	79.56	79.43
Standard Deviation	3.21	3.89
Mean	7.16	8.84
Sharpe Ratio	0.86	1.40
Excess Return	0.15	-0.18
Excess Risk	1.48	2.00
Information Ratio	0.10	-0.09

Operations

Total Investment Expense Net	0.84%
Total Investment Expense Gross	0.85%
Waiver Expiration Date	02/28/2008
Inception Date	03/30/2001
Total Net Assets (mil)	\$550.18



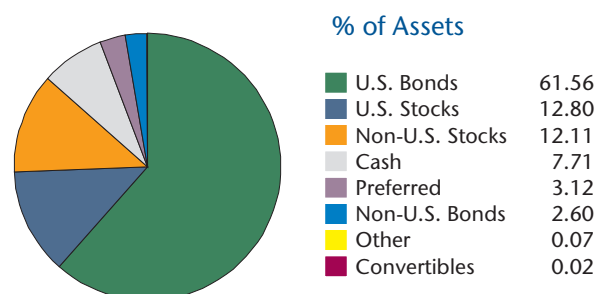
© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Principal LifeTime Strategic Income Sep Acct-Standard

as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Top ten holdings

	% of net assets
1. Principal Inv Bond & Mtg Secs Instl	42.72
2. Principal Inv Inflation Protection Instl	12.90
3. Principal Inv Ultra Short Bond Instl	12.48
4. Principal Inv Preferred Secs Instl	6.76
5. Principal Inv Real Estate Sec Instl	4.14
6. Principal Inv Intl Growth Instl	3.90
7. Principal Inv Disc LargeCap Blend Instl	3.70
8. Principal Inv Ptr LargeCp BI I Instl	2.35
9. Principal Inv Ptr International Instl	2.33
10. Principal Inv LargeCap Growth Instl	1.78
% of net assets in top ten holdings*	93.06

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	15
GeoAvgCap (mil)	\$23,619.01
Turnover Ratio	49%
P/C Ratio	11.59
P/E Ratio	16.85
P/B Ratio	2.59

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	0.47	Healthcare	1.53	Consumer Goods	1.41
Hardware	1.12	Consumer Services	1.18	Industrial Materials	2.17
Media	0.30	Business Services	0.83	Energy	1.27
Telecom	0.61	Financial Services	5.89	Utilities	0.47



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal LifeTime Strategic Income Sep Acct-Standard.

Principal LifeTime Strategic Income Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime Strategic Income portfolio. The weightings as of March 31, 2007 are 19.0% Russell 3000 Index, 6.0 EAFE Index, and 75.0% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

This Separate Account invests directly in the Institutional class shares of a Principal Investors LifeTime Fund. The mutual fund operating expenses for each Principal Investors LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal Investors LifeTime Fund invests. Based on the asset allocation of the Principal Investors LifeTime Funds as in the prospectus dated May 29, 2007, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.56%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2020, 0.68%; Principal LifeTime 2030, 0.69%; Principal LifeTime 2040, 0.69%; Principal LifeTime 2050, 0.71%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal Investors LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Principal LifeTime 2010 Separate Account-Standard

as of 09/30/2007

Investment Strategy

The investment seeks a total return consisting of long-term growth of capital and current income. The fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. The Sub-Advisor intends to allocate assets so that within approximately ten to fifteen years after the year 2010, the fund's assets invested in the underlying funds match the asset allocation of the Principal LifeTime Strategic Income Fund.



Portfolio managers

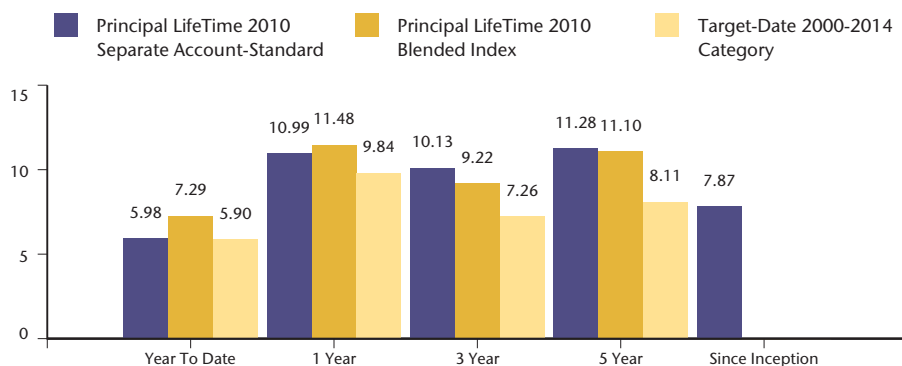
Dirk Laschanzky, CFA. Since 03/01/2001. M.B.A., U of Iowa

James Fennessey, CFA. Since 05/29/2007. B.S., Truman State U

Michael Finnegan, CFA. Since 05/29/2007. M.A., U of Iowa

Randy Welch Since 05/29/2007. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.98	10.99	10.13	11.28	7.87
Principal LifeTime 2010 Blended Index %	7.29	11.48	9.22	11.10	-
Target-Date 2000-2014 Category %	5.90	9.84	7.26	8.11	-
Morningstar Percentile Rankings	-	32	6	6	-
# of funds in category	259	218	104	39	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	11.84	5.40	11.62	18.79	-4.44
Principal LifeTime 2010 Blended Index %	8.73	4.11	7.92	14.89	-2.63
Target-Date 2000-2014 Category %	8.58	3.68	6.82	13.67	-4.11
Morningstar Percentile Rankings	18	7	2	6	47
# of Funds in Category	188	126	88	43	37

Morningstar percentile rankings are based on total returns.

Morningstar category

Target-Date 2000-2014

Morningstar Style Box[™]

As of 06/30/2007

Investment style			Duration			Market capitalization	Quality
Value	Blend	Growth	Short	Int	Long		
						Large	High
						Medium	Medium
						Small	Low

Risk and Return Statistics

as of 09/30/2007 Relative to

Principal LifeTime 2010 Blended Index

	3Yr	5Yr
Alpha	0.31	1.19
Beta	1.13	0.88
R-Squared	92.82	85.98
Standard Deviation	4.67	5.09
Mean	10.13	11.28
Sharpe Ratio	1.20	1.53
Excess Return	0.97	0.31
Excess Risk	1.36	2.04
Information Ratio	0.71	0.15

Operations

Total Investment Expense Net	0.88%
Total Investment Expense Gross	0.88%
Inception Date	03/30/2001
Total Net Assets (mil)	\$1,708.75



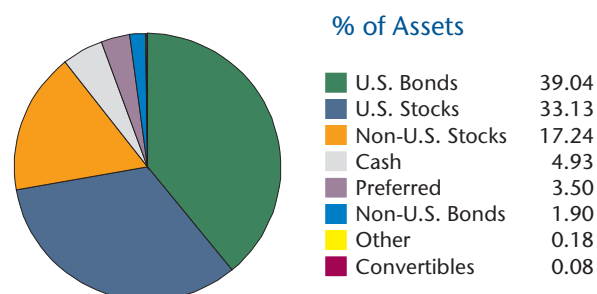
© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Principal LifeTime 2010 Separate Account-Standard

as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



% of Assets

U.S. Bonds	39.04
U.S. Stocks	33.13
Non-U.S. Stocks	17.24
Cash	4.93
Preferred	3.50
Non-U.S. Bonds	1.90
Other	0.18
Convertibles	0.08

Top ten holdings

Top ten holdings	% of net assets
1. Principal Inv Bond & Mtg Secs Instl	27.27
2. Principal Inv Disc LargeCap Blend Instl	9.41
3. Principal Inv Intl Growth Instl	8.77
4. Principal Inv Preferred Secs Instl	6.48
5. Principal Inv Real Estate Sec Instl	5.55
6. Principal Inv Ptr LargeCp BI I Instl	5.03
7. Principal Inv Ptr International Instl	4.97
8. Principal Inv Ptr Large Cap Gr I Instl	4.14
9. Principal Inv LargeCap Growth Instl	3.86
10. Principal Inv Ultra Short Bond Instl	3.48
% of net assets in top ten holdings*	78.96

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	20
GeoAvgCap (mil)	\$23,409.63
Turnover Ratio	17%
P/C Ratio	11.12
P/E Ratio	16.11
P/B Ratio	2.60

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	1.53	Healthcare	4.33	Consumer Goods	3.87
Hardware	3.38	Consumer Services	3.19	Industrial Materials	6.15
Media	0.83	Business Services	2.64	Energy	3.66
Telecom	1.81	Financial Services	13.42	Utilities	1.45



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal LifeTime 2010 Separate Account-Standard.

Principal LifeTime 2010 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2010 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2007 are 41.9% Russell 3000 Index, 15.1% EAFE Index, and 43.0% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

This Separate Account invests directly in the Institutional class shares of a Principal Investors LifeTime Fund. The mutual fund operating expenses for each Principal Investors LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal Investors LifeTime Fund invests. Based on the asset allocation of the Principal Investors LifeTime Funds as in the prospectus dated May 29, 2007, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.56%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2020, 0.68%; Principal LifeTime 2030, 0.69%; Principal LifeTime 2040, 0.69%; Principal LifeTime 2050, 0.71%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal Investors LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Principal LifeTime 2020 Separate Account-Standard

as of 09/30/2007

Investment Strategy

The investment seeks a total return consisting of long-term growth of capital and current income. The fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. The Sub-Advisor intends to allocate assets so that within approximately ten to fifteen years after the year 2020, the fund's assets invested in the underlying funds match the asset allocation of the Principal LifeTime Strategic Income Fund.



Portfolio managers

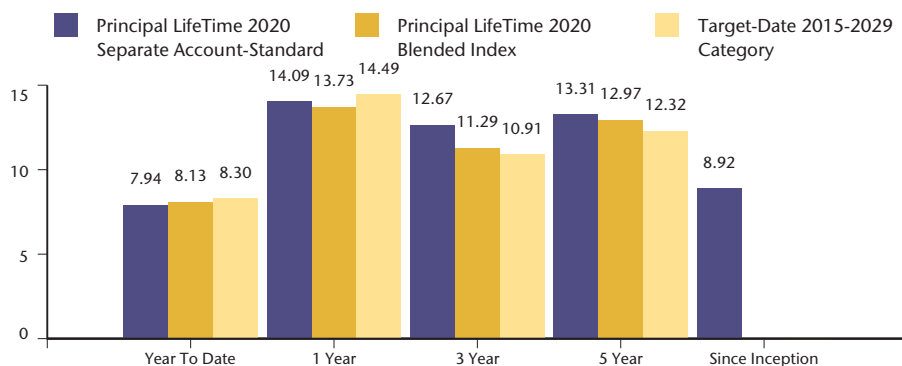
Dirk Laschanzky, CFA. Since 03/01/2001. M.B.A., U of Iowa

James Fennessey, CFA. Since 05/29/2007. B.S., Truman State U

Michael Finnegan, CFA. Since 05/29/2007. M.A., U of Iowa

Randy Welch Since 05/29/2007. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.94	14.09	12.67	13.31	8.92
Principal LifeTime 2020 Blended Index %	8.13	13.73	11.29	12.97	-
Target-Date 2015-2029 Category %	8.30	14.49	10.91	12.32	-
Morningstar Percentile Rankings	-	55	15	22	-
# of funds in category	290	226	72	16	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	14.03	7.49	12.19	21.58	-7.02
Principal LifeTime 2020 Blended Index %	11.30	5.12	9.54	17.64	-5.79
Target-Date 2015-2029 Category %	12.45	5.80	9.18	20.73	-11.14
Morningstar Percentile Rankings	24	4	10	20	8
# of Funds in Category	173	103	52	18	15

Morningstar percentile rankings are based on total returns.

Morningstar category

Target-Date 2015-2029

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Duration			Market capitalization	Quality
Value	Blend	Growth	Short	Int	Long		

Risk and Return Statistics

as of 09/30/2007 Relative to

Principal LifeTime 2020 Blended Index

	3Yr	5Yr
Alpha	0.64	1.29
Beta	1.11	0.91
R-Squared	97.12	90.13
Standard Deviation	5.76	6.17
Mean	12.67	13.31
Sharpe Ratio	1.38	1.57
Excess Return	1.46	0.48
Excess Risk	1.13	2.05
Information Ratio	1.30	0.23

Operations

Total Investment Expense Net	0.96%
Total Investment Expense Gross	0.96%
Inception Date	03/30/2001
Total Net Assets (mil)	\$3,419.12



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Principal LifeTime 2020 Separate Account-Standard

as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	10.45	Healthcare	29.95	Consumer Goods	20.69
Hardware	2.09	Consumer Services	5.82	Industrial Materials	8.38
Media	4.70	Business Services	4.29	Energy	4.99
Telecom	1.11	Financial Services	3.60	Utilities	2.04
	2.55		16.24		



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal LifeTime 2020 Separate Account-Standard.

Principal LifeTime 2020 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2020 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2007 are 51.1% Russell 3000 Index, 19.4% EAFE Index, and 29.5% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

This Separate Account invests directly in the Institutional class shares of a Principal Investors LifeTime Fund. The mutual fund operating expenses for each Principal Investors LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal Investors LifeTime Fund invests. Based on the asset allocation of the Principal Investors LifeTime Funds as in the prospectus dated May 29, 2007, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.56%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2020, 0.68%; Principal LifeTime 2030, 0.69%; Principal LifeTime 2040, 0.69%; Principal LifeTime 2050, 0.71%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal Investors LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Principal LifeTime 2030 Separate Account-Standard

as of 09/30/2007

Investment Strategy

The investment seeks a total return consisting of long-term growth of capital and current income. The fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. The Sub-Advisor intends to allocate assets so that within approximately ten to fifteen years after the year 2030, the fund's assets invested in the underlying funds match the asset allocation of the Principal LifeTime Strategic Income Fund.



Portfolio managers

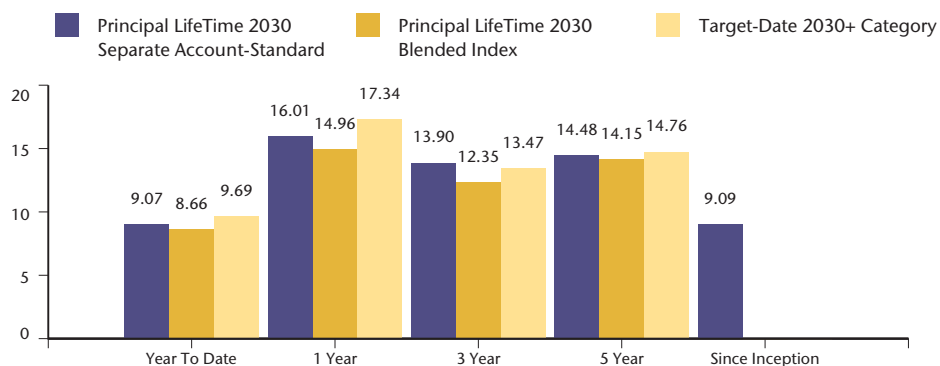
Dirk Laschanzky, CFA. Since 03/01/2001. M.B.A., U of Iowa

James Fennessey, CFA. Since 05/29/2007. B.S., Truman State U

Michael Finnegan, CFA. Since 05/29/2007. M.A., U of Iowa

Randy Welch Since 05/29/2007. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	9.07	16.01	13.90	14.48	9.09
Principal LifeTime 2030 Blended Index %	8.66	14.96	12.35	14.15	-
Target-Date 2030+ Category %	9.69	17.34	13.47	14.76	-
Morningstar Percentile Rankings	-	71	42	66	-
# of funds in category	400	311	104	38	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	15.13	8.20	12.68	23.33	-10.05
Principal LifeTime 2030 Blended Index %	12.72	5.65	10.42	20.51	-8.83
Target-Date 2030+ Category %	14.43	7.28	11.31	25.34	-15.68
Morningstar Percentile Rankings	40	13	26	78	1
# of Funds in Category	235	147	87	42	36

Morningstar percentile rankings are based on total returns.

Morningstar category

Target-Date 2030+

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Duration			Market capitalization	Quality
Value	Blend	Growth	Short	Int	Long		

Risk and Return Statistics

as of 09/30/2007 Relative to

Principal LifeTime 2030 Blended Index

	3Yr	5Yr
Alpha	0.73	1.24
Beta	1.10	0.92
R-Squared	97.87	93.03
Standard Deviation	6.48	6.96
Mean	13.90	14.48
Sharpe Ratio	1.40	1.55
Excess Return	1.64	0.47
Excess Risk	1.12	1.94
Information Ratio	1.46	0.24

Operations

Total Investment Expense Net	0.97%
Total Investment Expense Gross	0.97%
Inception Date	03/30/2001
Total Net Assets (mil)	\$2,912.69



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Principal LifeTime 2030 Separate Account-Standard

as of 09/30/2007

Portfolio information

Composition as of 06/30/2007

% of Assets		Top ten holdings		% of net assets	Analysis	
						
U.S. Stocks	50.60	1. Principal Inv Intl Growth Instl		12.96	# of Stock Hldgs	0
Non-U.S. Stocks	23.48	2. Principal Inv Bond & Mtg Secs Instl		12.61	# of Bond Hldgs	0
U.S. Bonds	18.70	3. Principal Inv Disc LargeCap Blend Instl		12.52	# of Other Hldgs	22
Cash	3.11	4. Principal Inv Ptr International Instl		7.07	GeoAvgCap (mil)	\$24,347.83
Preferred	2.73	5. Principal Inv Ptr LargeCp Bl I Instl		6.48	Turnover Ratio	9%
Non-U.S. Bonds	1.00	6. Principal Inv Ptr Large Cap Gr I Instl		6.41	P/C Ratio	10.99
Other	0.27	7. Principal Inv LargeCap Growth Instl		5.67	P/E Ratio	15.92
Convertibles	0.11	8. Principal Inv Preferred Secs Instl		4.46	P/B Ratio	2.62
		9. Principal Inv Ptr LgCap Value I Inst		4.01		
		10. Principal Inv LargeCap Value Instl		3.95		
		% of net assets in top ten holdings*		76.14		

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.53	Healthcare	6.98	Consumer Goods	6.31
Hardware	5.58	Consumer Services	5.13	Industrial Materials	10.14
Media	1.32	Business Services	4.37	Energy	6.00
Telecom	3.11	Financial Services	18.25	Utilities	2.47



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal LifeTime 2030 Separate Account-Standard.

Principal LifeTime 2030 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2030 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2007 are 57.3% Russell 3000 Index, 22.5% EAFE Index, and 20.2% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

This Separate Account invests directly in the Institutional class shares of a Principal Investors LifeTime Fund. The mutual fund operating expenses for each Principal Investors LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal Investors LifeTime Fund invests. Based on the asset allocation of the Principal Investors LifeTime Funds as in the prospectus dated May 29, 2007, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.56%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2020, 0.68%; Principal LifeTime 2030, 0.69%; Principal LifeTime 2040, 0.69%; Principal LifeTime 2050, 0.71%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal Investors LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Principal LifeTime 2040 Separate Account-Standard

as of 09/30/2007

Investment Strategy

The investment seeks a total return consisting of long-term growth of capital and current income. The fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. The Sub-Advisor intends to allocate assets so that within approximately ten to fifteen years after the year 2040, the fund's assets invested in the underlying funds match the asset allocation of the Principal LifeTime Strategic Income Fund.



Portfolio managers

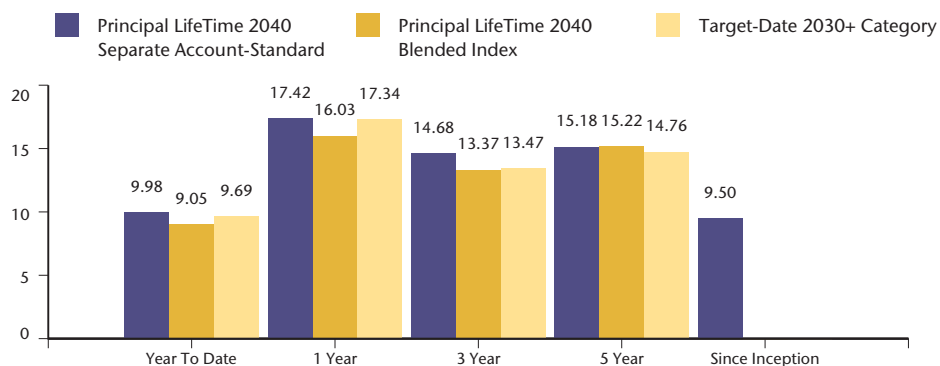
Dirk Laschanzky, CFA. Since 03/01/2001. M.B.A., U of Iowa

James Fennessey, CFA. Since 05/29/2007. B.S., Truman State U

Michael Finnegan, CFA. Since 05/29/2007. M.A., U of Iowa

Randy Welch Since 05/29/2007. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	9.98	17.42	14.68	15.18	9.50
Principal LifeTime 2040 Blended Index %	9.05	16.03	13.37	15.22	-
Target-Date 2030+ Category %	9.69	17.34	13.47	14.76	-
Morningstar Percentile Rankings	-	56	18	40	-
# of funds in category	400	311	104	38	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	15.43	8.65	12.86	24.49	-12.60
Principal LifeTime 2040 Blended Index %	14.26	6.21	11.37	23.42	-11.82
Target-Date 2030+ Category %	14.43	7.28	11.31	25.34	-15.68
Morningstar Percentile Rankings	32	7	21	51	19
# of Funds in Category	235	147	87	42	36

Morningstar percentile rankings are based on total returns.

Morningstar category

Target-Date 2030+

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Duration			Market capitalization	Quality
Value	Blend	Growth	Short	Int	Long		

Risk and Return Statistics

as of 09/30/2007 Relative to

Principal LifeTime 2040 Blended Index

	3Yr	5Yr
Alpha	0.70	0.97
Beta	1.07	0.92
R-Squared	98.50	95.40
Standard Deviation	6.98	7.60
Mean	14.69	15.19
Sharpe Ratio	1.40	1.51
Excess Return	1.41	0.11
Excess Risk	0.97	1.76
Information Ratio	1.46	0.06

Operations

Total Investment Expense Net	0.97%
Total Investment Expense Gross	0.98%
Waiver Expiration Date	02/28/2008
Inception Date	03/30/2001
Total Net Assets (mil)	\$1,444.50



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Principal LifeTime 2040 Separate Account-Standard

as of 09/30/2007

Portfolio information

Composition as of 06/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.88	Healthcare	7.84	Consumer Goods	7.06
Hardware	6.30	Consumer Services	5.83	Industrial Materials	11.43
Media	1.47	Business Services	4.98	Energy	6.74
Telecom	3.55	Financial Services	19.83	Utilities	2.77



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal LifeTime 2040 Separate Account-Standard.

Principal LifeTime 2040 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2040 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2007 are 61.8% Russell 3000 Index, 24.7% EAFE Index, and 13.5% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

This Separate Account invests directly in the Institutional class shares of a Principal Investors LifeTime Fund. The mutual fund operating expenses for each Principal Investors LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal Investors LifeTime Fund invests. Based on the asset allocation of the Principal Investors LifeTime Funds as in the prospectus dated May 29, 2007, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.56%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2020, 0.68%; Principal LifeTime 2030, 0.69%; Principal LifeTime 2040, 0.69%; Principal LifeTime 2050, 0.71%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal Investors LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Principal LifeTime 2050 Separate Account-Standard

as of 09/30/2007

Investment Strategy

The investment seeks a total return consisting of long-term growth of capital and current income. The fund primarily invests in shares of other Principal Investors funds. The underlying funds are intended to give the fund broad exposure to the domestic and foreign equity and fixed income markets. The Sub-Advisor intends to allocate assets so that within approximately ten to fifteen years after the year 2050, the fund's assets invested in the underlying funds match the asset allocation of the Principal LifeTime Strategic Income Fund.



Portfolio managers

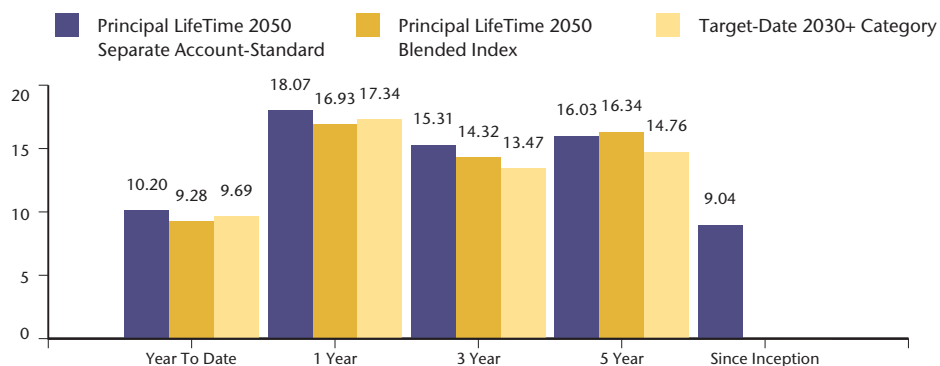
Dirk Laschanzky, CFA. Since 03/01/2001. M.B.A., U of Iowa

James Fennessey, CFA. Since 05/29/2007. B.S., Truman State U

Michael Finnegan, CFA. Since 05/29/2007. M.A., U of Iowa

Randy Welch Since 05/29/2007. M.B.A., Drake U

Long-term returns % as of 09/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	10.20	18.07	15.31	16.03	9.04
Principal LifeTime 2050 Blended Index %	9.28	16.93	14.32	16.34	-
Target-Date 2030+ Category %	9.69	17.34	13.47	14.76	-
Morningstar Percentile Rankings	-	45	2	12	-
# of funds in category	400	311	104	38	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	15.96	9.17	13.15	26.44	-15.73
Principal LifeTime 2050 Blended Index %	15.81	6.79	12.29	25.94	-14.83
Target-Date 2030+ Category %	14.43	7.28	11.31	25.34	-15.68
Morningstar Percentile Rankings	24	1	15	27	43
# of Funds in Category	235	147	87	42	36

Morningstar percentile rankings are based on total returns.

Morningstar category

Target-Date 2030+

Morningstar Style BoxTM

As of 06/30/2007

Investment style			Duration			Market capitalization	Quality
Value	Blend	Growth	Short	Int	Long		

Risk and Return Statistics

as of 09/30/2007 Relative to

Principal LifeTime 2050 Blended Index

	3Yr	5Yr
Alpha	-0.32	0.17
Beta	1.06	0.94
R-Squared	96.29	95.59
Standard Deviation	7.64	8.48
Mean	14.52	15.55
Sharpe Ratio	1.27	1.40
Excess Return	0.27	-0.67
Excess Risk	1.55	1.87
Information Ratio	0.18	-0.36

Operations

Total Investment Expense Net	0.99%
Total Investment Expense Gross	1.00%
Waiver Expiration Date	02/28/2008
Inception Date	03/30/2001
Total Net Assets (mil)	\$603.44



© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Principal LifeTime 2050 Separate Account-Standard

as of 09/30/2007

Portfolio information

Composition as of 06/30/2007

% of Assets		Top ten holdings		% of net assets	Analysis	
						
U.S. Stocks	59.56	1. Principal Inv Intl Growth Instl		14.77	# of Stock Hldgs	0
Non-U.S. Stocks	26.72	2. Principal Inv Disc LargeCap Blend Instl		12.68	# of Bond Hldgs	0
U.S. Bonds	8.40	3. Principal Inv Ptr Large Cap Gr I Instl		7.89	# of Other Hldgs	22
Cash	2.64	4. Principal Inv Ptr International Instl		7.69	GeoAvgCap (mil)	\$24,004.15
Preferred	1.85	5. Principal Inv Ptr LargeCp BI I Instl		6.76	Turnover Ratio	16%
Non-U.S. Bonds	0.41	6. Principal Inv LargeCap Growth Instl		6.67	P/C Ratio	10.98
Other	0.30	7. Principal Inv Ptr LgCap Value I Inst		4.87	P/E Ratio	15.90
Convertibles	0.12	8. Principal Inv Ptr Large Cap Value Instl		4.74	P/B Ratio	2.62
		9. Principal Inv LargeCap Value Instl		4.67		
		10. Principal Inv Intl Emerg Mkts Instl		4.32		
		% of net assets in top ten holdings*		75.06		

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	3.06	Healthcare	8.29	Consumer Goods	7.42
Hardware	6.64	Consumer Services	6.17	Industrial Materials	12.05
Media	1.53	Business Services	5.32	Energy	7.07
Telecom	3.74	Financial Services	20.85	Utilities	2.92



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal LifeTime 2050 Separate Account-Standard.

Principal LifeTime 2050 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2050 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2007 are 64.2% Russell 3000 Index, 25.8% EAFE Index, and 10.0% Lehman Aggregate Index.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

This Separate Account invests directly in the Institutional class shares of a Principal Investors LifeTime Fund. The mutual fund operating expenses for each Principal Investors LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal Investors LifeTime Fund invests. Based on the asset allocation of the Principal Investors LifeTime Funds as in the prospectus dated May 29, 2007, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.56%; Principal LifeTime 2010, 0.60%; Principal LifeTime 2020, 0.68%; Principal LifeTime 2030, 0.69%; Principal LifeTime 2040, 0.69%; Principal LifeTime 2050, 0.71%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal Investors LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.